

NEW ISSUE – BOOK-ENTRY ONLY



\$500,000,000
THE TRUSTEES OF PRINCETON UNIVERSITY
Taxable Bonds, 2020 Series A

Dated: Date of Delivery

Interest Payable January 1 and July 1

The Trustees of Princeton University Taxable Bonds, 2020 Series A (the “Bonds”) will be issued pursuant to the terms of an Indenture of Trust, dated as of June 1, 2020 (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 certain 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 January 1, 2021. 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 APPENDIX E – “DTC BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” herein.

The Bonds are subject to 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 – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018, 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 AND PRICE

\$500,000,000 2.516% Bonds due July 1, 2050, Price: 100%
CUSIP Number 89837LAG0† ISIN: US89837LAG05† Common Code: 218994121†

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

The Bonds are offered by the Underwriters, when, as and if issued by the Institution and accepted by the Underwriters, subject to the approval of legality by 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 Underwriters by their counsel, Hawkins Delafield & Wood 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 June 15, 2020.

J.P. Morgan

Goldman Sachs & Co. LLC

HSBC PNC Capital Markets LLC Ramirez & Co., Inc. TD Securities US Bancorp

June 8, 2020

† See footnote on page vii, “SUMMARY OF THE OFFERING” for information relating to CUSIP Number, ISIN Number and Common Code.

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GENERAL INFORMATION

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

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

All information set forth herein has been obtained from the Institution and other sources 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 Underwriters. 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” and APPENDIX B – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018, AND REPORT OF INDEPENDENT AUDITORS”. A number of important factors, including factors affecting the Institution’s financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements. THE INSTITUTION DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS CHANGE, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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

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

**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. **NEITHER THE INSTITUTION NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE CONTENTS OF THIS SECTION.**

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 PROSPECTIVE INVESTORS IN THE EUROPEAN
ECONOMIC AREA (“EEA”) OR THE UNITED KINGDOM**

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR THE UNITED KINGDOM. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFERING MEMORANDUM.

THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFERING MEMORANDUM IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY

UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

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. THIS OFFERING MEMORANDUM 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. 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 SWITZERLAND

THIS OFFERING MEMORANDUM IS NOT INTENDED TO CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (“FINSA”) AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA, AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

THE BONDS DO NOT CONSTITUTE COLLECTIVE INVESTMENTS WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”). ACCORDINGLY, HOLDERS OF THE BONDS DO NOT BENEFIT FROM PROTECTION UNDER THE CISA OR FROM THE SUPERVISION OF THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY. INVESTORS ARE EXPOSED TO THE DEFAULT RISK OF THE ISSUER.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE CONTENTS OF THIS OFFERING MEMORANDUM HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFERING MEMORANDUM, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFERING MEMORANDUM HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG)) IN HONG KONG (THE “C(WUMP)O”) NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (THE “SFO”). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENT, AND THIS OFFERING MEMORANDUM MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN (A) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO; OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE C(WUMP)O OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE C(WUMP)O. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE “FIEA”). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”) IN RELIANCE ON THE QIIS-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER

REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

NOTICE TO INVESTORS IN KOREA

NO SECURITIES REGISTRATION STATEMENT REGARDING THE BONDS HAS BEEN OR WILL BE FILED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA FOR PUBLIC OFFERING OF THE BONDS 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 FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT (AS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY THE "FETL")) OF KOREA FOR A PERIOD OF ONE YEAR FROM THE DATE OF ISSUANCE OF THE BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF KOREA. WITHOUT PREJUDICE TO THE FOREGOING, THE NUMBER OF LOTS OF BONDS OFFERED, SOLD OR DELIEVERED IN KOREA OR TO A RESIDENT OF KOREA SHALL BE LESS THAN FIFTY AND FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE BONDS, NONE OF THE LOTS OF BONDS SOLD IN KOREA MAY BE DIVIDED OR SPLIT IN A MANNER WHICH WOULD RESULT IN AN INCREASED NUMBER OF LOTS OF THE BONDS. FURTHERMORE, THE BONDS MAY NOT BE RESOLD TO KOREAN RESIDENTS EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF KOREA.

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SUMMARY OF THE OFFERING

Issuer	The Trustees of Princeton University.
Securities Offered	\$500,000,000 2.516% Taxable Bonds, 2020 Series A due July 1, 2050. CUSIP Number 89837LAG0 [†] ISIN: US89837LAG05 [†] Common Code: 218994121 [†]
Interest Accrual Date	Interest will accrue from June 15, 2020.
Interest Payment Dates	January 1 and July 1 of each year, commencing January 1, 2021.
Redemption	<p>The Bonds are subject to optional redemption and at either (i) the Make-Whole Redemption Price prior to January 1, 2050 (the date that is six months prior to the maturity date) (the “Par Call Date”), or (ii) on or after the Par Call Date at a redemption price equal to par, in each case as described more fully herein.</p> <p>The Bonds are subject to mandatory sinking fund redemption by the Institution prior to maturity, as further described herein.</p> <p>See “THE BONDS – Redemption” herein.</p>
Settlement Date	June 15, 2020.
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 certain 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.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP and ISIN data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP and ISIN numbers have been assigned by an independent company not affiliated with the Institution and are included solely for the convenience of the registered owners of the Bonds. Neither the Institution nor the Underwriters are responsible for the selection or uses of these CUSIP and ISIN numbers, and no representation is made as to their correctness on the Bonds or as included herein. The Common Codes are provided herein by Euroclear Bank S.A./N.V. Common Codes are provided for convenience of reference only. Neither the Institution nor the Underwriters are responsible for the selection or uses of these Common Codes, and no representation is made as to their correctness on the Bonds or as included herein.

OFFERING MEMORANDUM

Relating to

\$500,000,000

**THE TRUSTEES OF PRINCETON UNIVERSITY
TAXABLE BONDS, 2020 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 \$500,000,000 aggregate principal amount of The Trustees of Princeton University Taxable Bonds, 2020 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 certain 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 relating to the Institution’s operations and financial condition is set forth in APPENDIX A – “PRINCETON UNIVERSITY,” and APPENDIX B – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018, AND REPORT OF INDEPENDENT AUDITORS,” attached hereto, which should be read in their entirety. Certain information relating to the impact on the Institution of the COVID-19 pandemic is discussed in APPENDIX A under the heading “– COVID-19 Disclosure”.

The Bonds

The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2020 (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 May 31, 2020, the outstanding indebtedness of the Institution, including long-term debt and commercial paper debt, totaled approximately \$2.8 billion. For additional information regarding the outstanding and proposed indebtedness of the Institution, see APPENDIX A – “PRINCETON UNIVERSITY – Third Party Debt” and APPENDIX B – “CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018, AND REPORT OF INDEPENDENT AUDITORS” attached hereto.

Redemption

The Bonds are subject to optional redemption by the Institution prior to maturity, on any Business Day 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 and Global Clearance Procedures

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 APPENDIX E – “DTC BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” attached hereto.

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 (<https://finance.princeton.edu/report-treasurer>). The information contained in the Institution’s website is not a part of this Offering Memorandum and is not incorporated by reference herein. The Institution has agreed in the Indenture to furnish to the Trustee and to any Bondholder upon request of such Bondholder, copies of its audited financial statements within one hundred eighty (180) days after the close of each fiscal year if such audited financial statements are not otherwise available on the Institution’s website or on EMMA. See “CONTINUING DISCLOSURE” herein.

Additional Bonds

The Indenture provides that subsequent to the issuance of the Bonds, the Institution may issue Additional Bonds under the Indenture for any corporate purpose of the Institution. Additional Bonds will be authorized by a Supplemental Indenture, and the proceeds of any Additional Bonds will be applied as provided in the Supplemental Indenture authorizing such Additional Bonds and such Supplemental Indenture will set forth the terms and conditions for such Additional Bonds. At the option of the Institution, any Additional Bonds may be consolidated with one or more maturities of the Bonds, and any Additional Bonds that are consolidated with the Bonds of such maturity will be treated as a single series of Bonds of such maturity for all purposes of the Indenture.

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	<u>\$500,000,000</u>
Total Sources of Funds	\$500,000,000

USES:

Capital Projects and other General Corporate Purposes	\$499,066,895
Underwriters' Discount	<u>933,105</u>
Total Uses of Funds	\$500,000,000

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 certain 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 January 1, 2021. 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, 2050 (the date that is six months prior to the maturity date).

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, in each case, 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.

“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 15 basis points, plus accrued and unpaid interest on such Bond to the redemption date.

“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.

“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.

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

“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.

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>
2046	\$76,165,000
2047	54,980,000
2048	68,540,000
2049	148,215,000
2050*	152,100,000

* 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 aggregate principal amount to the unredeemed portion of the Bond surrendered.

Notice of Redemption

Notice of redemption will be mailed by the Institution to the Trustee by first class mail, not less than 35 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 20 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 Underwriters 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.

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.

Additional Bonds

The Indenture provides that subsequent to the issuance of the Bonds, the Institution may issue Additional Bonds under the Indenture for any corporate purpose of the Institution. Additional Bonds will be authorized by a Supplemental Indenture, and the proceeds of any Additional Bonds will be applied as provided in the Supplemental Indenture authorizing such Additional Bonds and such Supplemental Indenture will set forth the terms and conditions for such Additional Bonds. At the option of the Institution, any Additional Bonds may be consolidated with one or more maturities of the Bonds, and any Additional Bonds that are consolidated with the Bonds of such maturity will be treated as a single series of Bonds of such maturity for all purposes of the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”.

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 other financial 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 – “CONSOLIDATED FINANCIAL

STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018, 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

THE MATERIAL UNDER THIS CAPTION “TAX MATTERS” CONCERNING THE TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS WAS WRITTEN TO SUPPORT THE MARKETING OF THE BONDS, AND EACH OWNER SHOULD SEEK ADVICE BASED ON THE OWNER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. THIS MATERIAL WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER.

General

Interest on and profit, if any, on the sale of the Bonds are not excludable from gross income for federal income tax purposes.

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 address any state, local, foreign taxes, or 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, persons required to accelerate the recognition of any item of gross income with respect to the Bonds as a result of such income being recognized on an applicable financial statement, Owners whose functional currency is not the United States dollar and, Foreign Owners (as defined below) 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 discussion also 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 is based on the Code, the regulations of the Department of the Treasury, and administrative and judicial interpretations, all as in effect today. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. The discussion assumes that the Bonds are held as capital assets within the meaning of Section 1221 of the Code.

Tax Consequences to United States Owners

The Bonds will be treated as debt instruments and, accordingly, stated interest payments on the Bonds will be 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, or an entity treated as a corporation for U.S. federal income tax purposes, 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 tax status of the partnership. Partners of partnerships holding the Bonds should consult their own tax advisors with regard to the U.S. federal income tax treatment of the purchase, ownership and disposition of the Bonds.

Original Issue Discount. A Bond will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes if the stated principal amount of such Bond exceeds its issue price by at least the de minimis threshold amount of 1/4 of one percent of the stated principal amount of such Bond multiplied by the number of complete years from the issue date of such Bond to its maturity. If a Bond is issued with OID, United States Owners, regardless of their regular method of tax accounting, will have to include the OID in gross income (as ordinary income) as it accrues (on a constant yield to maturity basis), prior to their receipt of the cash corresponding to such OID, which ordinarily will result in the inclusion of increasing amounts of OID in income in successive accrual periods.

Bond Premium. A holder of a Bond who purchases such Bond at a cost that exceeds the stated principal amount of such Bond will have amortizable bond premium equal to such excess. 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 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 the Bond.

Sale, Exchange, Redemption or Retirement of the Bonds. In general, unless a nonrecognition provision applies, 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 principal payments received by such United States Owner and increased by any accrued but unpaid interest (including OID, if any) the United States Owner has included in taxable income.

Backup Withholding. Owners will be subject to "backup withholding" of federal income tax (currently at a rate of 24%) in the event they fail to furnish a taxpayer identification number to the paying agent or there are other, related compliance failures. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to an Owner will be allowed as a credit against the Owner's U.S. federal income tax liability and may

entitle the Owner to a refund, provided that the required information is timely furnished to the IRS. Owners should consult their tax advisors concerning the application of information reporting and backup withholding rules.

Net Investment Income Tax. Certain United States Owners that are individuals, estates or trusts whose income exceeds certain thresholds are required to pay an additional 3.8% tax on, among other things, interest income and capital gains, subject to certain limitations and exceptions (the “Net Investment Income Tax”). United States Owners that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Net Investment Income Tax to their income and gains from the Bonds.

Tax Consequences to Foreign Owners

Payments of interest (including OID) 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” as that term is defined in 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 (as that term is defined in the Code) 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, its paying agent, or other applicable withholding 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 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 (including OID).

Interest on a Bond (including OID) 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.

U.S. Federal Estate Tax. A Bond that is held by an individual who, at the time of death, is not a citizen or resident of the U.S. will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that, at the time of such individual’s death, payments of interest with respect to such Bond would not have been effectively connected to a trade or business conducted by such individual in the U.S.

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)

Pursuant to the Foreign Account Tax Compliance Act (commonly referred to as “FATCA”), foreign financial institutions (which term includes most foreign banks, hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles) and certain other foreign entities generally must comply with certain information reporting rules with respect to their U.S. account holders and investors or confront a withholding tax on U.S.-source payments made to them (whether received as a beneficial owner or as an intermediary for another party). A foreign financial institution or such other foreign entity that does not comply with the FATCA reporting requirements will generally be subject to a 30% withholding tax with respect to any “withholdable payments.” For this purpose, withholdable payments generally include U.S.-source payments otherwise subject to nonresident withholding tax (e.g., U.S.-source interest including OID) and also include the entire gross proceeds from the sale or other disposition of any debt instruments of U.S. issuers, even if the payment would otherwise not be subject to U.S. nonresident withholding tax (e.g., because it is capital gain). Under the applicable final Treasury regulations, withholding under FATCA, if required, generally will apply to payments of U.S.-source interest on the Bonds and to payments of gross proceeds from dispositions (including redemptions) of the Bonds. However, the IRS recently issued proposed Treasury regulations that eliminate withholding on payments of gross proceeds (but not on payments of interest). Pursuant to the proposed Treasury regulations, the Institution and any applicable withholding agent may (but are not required to) rely on this proposed change to FATCA withholding until the final regulations are issued or the proposed regulations are withdrawn. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States pursuant to FATCA may be subject to different rules with respect to information reporting and related requirements.

The Institution will not pay any additional amounts in respect of any amounts withheld, including pursuant to FATCA. Under certain circumstances, a holder might be eligible for refunds or credits of such taxes. Holders are urged to consult with their own tax advisors regarding the effect, if any, of the FATCA provisions to them based on their particular circumstances.

State, Local and Foreign Taxes

Owners may be subject to state, local, or foreign taxes with respect to an investment in the Bonds. Prospective investors are urged to consult their tax advisors with respect to the state, local and foreign tax consequences of an investment in the Bonds.

BENEFIT PLANS AND ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the acquisition and holding of the Bonds by an “employee benefit plan” (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) that is subject to Title I of ERISA, a “plan” covered by Section 4975 of the Code (including an individual retirement account or “IRA”), a benefit plan subject to provisions under applicable federal, state, local, non-U.S. or other laws or regulations that are similar to the provisions of Title I of ERISA or Section 4975

of the Code (“Similar Laws”) and any entity whose underlying assets include “plan assets” by reason of such employee benefit or retirement plan’s investment in such entity (each of which is referred to as a “Plan”).

General Fiduciary Matters

ERISA imposes certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA, and ERISA and/or Section 4975 of the Code prohibit certain transactions involving the assets of a Plan subject to ERISA as well as the assets of “plans” covered by Section 4975 of the Code (including individual retirement accounts (“IRAs”) described in Section 408 and 408A of the Code) with its fiduciaries or other interested parties (such plans are referred to herein as “Benefit Plans”). In general, under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Benefit Plan or the management or disposition of the assets of such a Benefit Plan, or who renders investment advice for a fee or other compensation (direct or indirect) to such a Benefit Plan, is generally considered to be a fiduciary of the Benefit Plan. Plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar prohibitions under Similar Laws. In considering the acquisition, holding and, to the extent relevant, disposition of 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 or any Similar Law relating to a fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transactions – In General

Section 406 of ERISA prohibits Benefit Plans 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 a statutory 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 liability 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. Further, a separate prohibited transaction could arise if, subsequent to the acquisition, the Institution or one of its affiliates becomes a Party in Interest or Disqualified Person with respect to such a Benefit Plan or a subsequent transfer of a Bond is between a Benefit Plan and a Party in Interest or Disqualified Person with respect to such Plan.

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 Benefit Plan; (2) a person providing services to a Benefit Plan; and (3) an employer or employee organization any of whose employees or members are covered by a Benefit Plan.

Plan Asset Issues

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute a prohibited transaction under ERISA and the Code if assets of the Institution were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the “Plan Asset Regulations”), the assets of the Institution would be treated as plan assets of a Benefit Plan for purposes of ERISA and the Code only if the Benefit Plan acquires an “equity interest” in the Institution and none of the exceptions contained in the Plan Asset Regulations is applicable. An equity interest is defined under the Plan Asset Regulations 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 is little statutory or regulatory guidance on this subject, the Bonds should be treated as debt, without substantial equity features, for purposes of the Plan Asset Regulations. Accordingly, the assets of the Institution should not be treated as plan assets of Benefit Plans investing in the Bonds. However, there can be no

complete assurance that the Bonds will be treated as debt obligations without substantial equity features for purposes of the Plan Asset Regulations. If the Institution's assets were deemed to constitute "plan assets" pursuant to the Plan Asset Regulations, 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 or the Code. Therefore, a Plan fiduciary should consult with its counsel prior to making such purchase.

Prohibited Transaction Exemptions

However, without regard to whether the Bonds are treated as debt obligations without substantial equity features for such purpose, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Institution, and other parties connected with the offering (such as the Underwriters), or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. In such case, certain status-based exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire the Bonds. These are commonly referred to as prohibited transaction class exemptions or "PTCEs." Included among these exemptions are:

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

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

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 and other Plans) which is commonly referred to as the "Service Provider Exemption". 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 with respect to the Plan assets involved (or an affiliate of such a fiduciary).

The availability of each of these PTCEs and/or the Service Provider Exemption is subject to a number of important conditions which the Benefit Plan's fiduciary must consider in determining whether such exemptions apply. Also, there can be no assurance that all the conditions of any such exemptions will be satisfied at the time that the Bonds are acquired by a purchaser, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change, or that the scope of relief provided by these exemptions will necessarily cover all acts that might be construed as prohibited transactions. Therefore, a Benefit Plan fiduciary considering an investment in the Bonds should consult with its counsel prior to making such purchase.

Because of the foregoing, the Bonds (and any interest therein) may not be purchased or held by any person investing "plan assets," or a Plan, unless such purchase or holding will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or similar violation of any applicable Similar Laws. Any Benefit Plan fiduciary considering whether to purchase the Bonds on behalf of a Benefit Plan should consult with its counsel

regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of employee benefit plans that are not subject to the requirements of ERISA or Section 4975 of the Code should seek similar counsel with respect to the application of similar prohibitions under Similar Laws.

Representations

BY ITS ACQUISITION OF THE BONDS (OR ANY INTEREST THEREIN) EACH PURCHASER AND SUBSEQUENT TRANSFEREE THEREOF WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT, ON EACH DAY IT HOLDS A BOND OR ANY INTEREST THEREIN, EITHER (a) IT IS NOT A PLAN, SUCH AS AN IRA, AND THAT NO PORTION OF THE ASSETS USED TO ACQUIRE OR HOLD THE BONDS CONSTITUTES ASSETS OF A PLAN OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF A BOND (OR AN INTEREST THEREIN) BY A PLAN WILL NOT CONSTITUTE A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE 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 Bonds by or to any Plan is in no respect a representation by the Institution (or any affiliates or representatives thereof) 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 the Underwriters listed on the cover hereof (the "Underwriters"), for whom J.P. Morgan Securities LLC is acting as Representative, and the Underwriters have agreed to purchase the Bonds from the Institution at an aggregate discount of \$933,104.67 from the public offering price set forth on the cover page hereof.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of The PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association.

TD Securities (USA) LLC ("TD Securities"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase Bonds from the Underwriters at the original issue prices less a negotiated portion of the selling concession applicable to any of the Bonds TD Ameritrade sells.

"US Bancorp" is the marketing name of U.S. Bancorp Investments, Inc., one of the Underwriters of the Bonds.

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

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective 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.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Institution.

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. The Institution believes that all such arrangements are consistent with the Institution's conflict of interest policy.

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 (<https://finance.princeton.edu/report-treasurer>). The information contained in the Institution's website is not a part of this Offering Memorandum and is not incorporated by reference herein. The Institution has agreed in the Indenture to furnish to the Trustee and to any Bondholder upon request of such Bondholder, copies of its audited financial statements within one hundred eighty (180) days after the close of each fiscal year if such audited financial statements are not otherwise available on the Institution's website or on EMMA.

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 Underwriters by their counsel, Hawkins Delafield & Wood LLP.

FINANCIAL ADVISOR

The Yuba Group LLC, also known as Yuba Group Advisors (the "Financial Advisor") has been retained by the Institution to serve as its financial advisor in connection with the issuance of the Bonds. The Financial Advisor is not obligated to make, and has not undertaken, an independent verification of any of the information contained in this Offering Memorandum and makes no guarantee as to the accuracy, completeness, or fairness of such information. The Financial Advisor is an independent financial advisory and consulting firm and is not engaged in the underwriting or trading of municipal securities or other negotiable instruments. The 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 2019 and 2018 and for each of the two years in the period ended June 30, 2019, included as Appendix B to this Offering Memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

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 Underwriters or the Institution.

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

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

THE TRUSTEES OF PRINCETON UNIVERSITY

By: /s/ James S. Matteo
James S. Matteo
Vice President for Finance and Treasurer

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APPENDIX A
PRINCETON UNIVERSITY

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APPENDIX A

PRINCETON UNIVERSITY

General

Princeton University (the “*University*”) is a private, not-for-profit, 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 12 million gross square feet of building space on- and off-campus: over 42% for academic buildings including the Firestone Library, about 24% for administrative and athletic facilities, about 28% for dormitories and graduate housing and about 6% for off-campus housing and commercial real estate properties.

As of the fall of 2019 the student body numbers 5,328 undergraduates and 2,997 graduate students. The University grants degrees to graduate students in 42 departments and programs, and awards undergraduate degrees in 37 fields of concentration. Undergraduates may also choose to pursue further study in 55 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 1,269 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 April 1, 2020, the Trustees are as follows:

Ex officio

Christopher L. Eisgruber

President of the University

Philip D. Murphy

Governor of the State of New Jersey

Charter Trustees

A. Scott Berg	Brent L. Henry (Vice Chair)
Katherine B. Bradley	Robert J. Hugin
Henri R. Ford	Anthony H.P. Lee
Laura L. Forese	Louise S. Sams (Chair)
Heather K. Gerken	Bradford L. Smith
C. Kim Goodwin	Peter Wendell (Clerk)
Paul G. Haaga, Jr.	C. James Yeh
Philip U. Hammarskjold	

Term Trustees

Joshua B. Bolten	Laura B. Overdeck
Sumir Chadha	Bob Peck
Blair W. Effron	Thomas S. Roberts
Yan Huo	Marco A. Tablada
Kimberly H. Johnson	Anthony A. Yoseloff

Alumni Trustees

José B. Alvarez	Ann Kirschner
Amy E. Alving	Melanie C. Lawson
Kirsten Bibbins-Domingo	Craig M. Robinson
Beth F. Cobert	Terri A. Sewell
Azza C. Cohen	Achille N. Tenkiang
Myesha D. Jemison	Sarah Varghese
Derek C. Kilmer	

The principal trustee committees are the Executive Committee, the Committee on Finance, the Audit and Compliance Committee, the Committee on Grounds and Buildings, the Committee on Academic Affairs, the Committee on Student Life, Health and Athletics, and the Committee on University Resources. The Committee on Finance is responsible for the financial management and budgeting of the University. In April 1987, the responsibility for day-to-day oversight of the University's investment portfolio was delegated to 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 Bob Peck 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 – Deborah A. Prentice; Executive Vice President - Treby McL. Williams; Vice President for Finance and Treasurer – James S. Matteo; Vice President and Secretary – Hillary A. Parker; Vice President for Advancement – Kevin J. Heaney; Vice President for Facilities – KyuJung Whang; and Vice President 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 the 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. President 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.

Deborah A. Prentice is Provost and Alexander Stewart 1886 Professor of Psychology and Public Affairs at the University. She was appointed Provost July 1, 2017 and in this role serves as the University’s chief academic officer and chief budgetary officer. Prior to becoming Provost, Dr. Prentice served as Dean of the Faculty from 2014-2017 and was Chair of the Psychology Department for 12 years. She also served as co-Chair of the Princeton Trustee Ad Hoc Committee on Diversity. Dr. Prentice received her B.A. in Human Biology and Music from Stanford University, and her Ph.D. in Psychology from Yale University. She joined Princeton’s faculty in 1989 as an assistant professor and became associate professor in 1995 and full professor in 2000. She is a Fellow of the American Psychological Association, the Association for Psychological Science, the Society for Experimental Social Psychology, and the Society for the Psychological Study of Social Issues.

Treby McL. Williams was appointed Executive Vice President of the 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 the University and earned a law degree from New York University School of Law.

James S. Matteo was appointed Vice President for Finance and Treasurer effective February 2019 and is Princeton's chief financial officer. He oversees the offices of treasury services, budget, controller, financial systems, payroll, purchasing, risk management, and tax. He is a member of the University Priorities Committee and is an *ex officio* member of the Princeton University Investment Company board. Before coming to Princeton, Mr. Matteo was the University of Virginia's associate vice president and treasurer. Mr. Matteo is board chair of the Treasury Institute for Higher Education. He has served on the National Association of College and University Business Officers' (NACUBO's) Research Universities Council, Awards Council, and the advisory board for the NACUBO-Commonfund Study of Endowments. Mr. Matteo has a B.S. in Finance from The Pennsylvania State University and an M.B.A. from Moravian College. He is a certified treasury professional (CTP) and a certified management accountant (CMA).

Hillary A. Parker was appointed Vice President and Secretary of the University effective July 1, 2019. In this capacity, she 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. She manages a range of projects related to the University's strategic initiatives, major development priorities, and presidential outreach. Prior to her appointment as Vice President and Secretary, Ms. Parker served as assistant vice president and chief of staff in the Office of the President and also previously worked in the offices of the Executive Vice President, the Dean for Research, and the School of Engineering and Applied Science at the University. Before joining the University administration, she was a writer and science teacher in central New Jersey. Ms. Parker currently serves on the boards of Leadership Enterprise for a Diverse America and McCarter Theatre Center. She earned her bachelor's degree in ecology and evolutionary biology from Princeton in 2001 and also holds a master of arts in teaching degree from The College of New Jersey.

Kevin J. Heaney was appointed as the 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 of the University effective January 2017. Prior to his appointment he led Cornell University's Division of Infrastructure, Properties and Planning and previously served as the Vice President for Facilities and Capital Planning at Rutgers University. Mr. Whang is a licensed architect and professional planner and a 1981 graduate of 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. Mr. Whang currently serves as a board member for the Princeton

Community Housing Board of Trustees, the Princeton Plasma Physics Laboratory Advisory Board, and the Association for the Advancement of Sustainability in Higher Education (AASHE).

Ramona E. Romero was appointed General Counsel of the 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 has served as President of the Princeton University Investment Company ("PRINCO") since January 1995. During his tenure, PRINCO's investment performance has ranked in the top percentile among institutional investors and PRINCO's endowment market value has grown from under \$4 billion to over \$26 billion as of June 20, 2019 (after spending outflows of \$13 billion). Today, endowment spending pays for more than half of the University's operating budget. Mr. Golden joined PRINCO from Duke Management Company where he was an Investment Director. He was previously a Senior Associate in the Yale Investments Office. He currently serves on fund advisory boards for several managers, including Bain Capital, General Catalyst Partners, and Greylock Partners. He was a member of the Board of Directors of the NAB Asset Corporation, a publicly-traded commercial loan workout specialist, as well as a founding member of the Investors' Committee of the President's Working Group on Financial Markets. In addition to his work at PRINCO, Mr. Golden serves as a Trustee of the Princeton Area Community Foundation, the Rita Allen Foundation, and Rutgers Preparatory School, and is on the Board of a private family office. He also serves on the Investment Advisory Committee of the Edmond J. Safra Foundation. Mr. Golden holds a B.A. in Philosophy from Duke University and an M.P.P.M. from the Yale School of Management. He has earned the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts.

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 8,300 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 thirty-one 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 doctorate degrees

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 and the Teacher Education Accreditation Council. Programs of study in aerospace engineering, chemical engineering, civil engineering, electrical engineering, and mechanical engineering are accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET).

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, and 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 991 full-time faculty members with the titles Professor, Associate Professor, Assistant Professor, Instructor, Senior Lecturer and Lecturer. In addition, approximately 203 people each year are appointed to the positions of part-time faculty (excluding visiting faculty). Including all faculty, there is one faculty member for every seven students (graduate plus undergraduate).

Approximately 64% 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 below sets forth the full-time equivalent faculty over the last five years:

Full-Time Equivalent Faculty

Academic Year	Tenured	Non-Tenured on Tenure Track	Others Non-Tenured	Total
2015 – 16	595	173	209	976
2016 – 17	589	178	219	987
2017 – 18	594	195	230	1,019
2018 – 19	613	195	222	1,031
2019 – 20	621	185	235	1,041

Note: Totals may not add due to rounding.

Student Enrollments

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

Academic Year	Enrollments			Degrees Awarded	
	Undergraduate	Graduate	Total	Bachelor	Advanced
2015 – 16	5,277	2,736	8,013	1,307	906
2016 – 17	5,251	2,781	8,032	1,280	988
2017 – 18	5,260	2,879	8,139	1,299	995
2018 – 19	5,321	2,946	8,267	1,296	1,038
2019 – 20	5,328	2,997	8,325	1,268	920

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 for first-year students equal to or greater than 98% and a high 6-year graduation rate equal to or greater than 97%.

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

Academic Year of Matriculation	Completed Applications	Total Admitted	Selectivity Rate	Total Enrolled	Yield Rate
2015 – 16	27,290	1,948	7%	1,319	68%
2016 – 17	29,303	1,911	7%	1,306	68%
2017 – 18	31,056	1,990	6%	1,306	66%
2018 – 19	35,370	1,940	5%	1,342	69%
2019 – 20	32,804	1,895	6%	1,337	71%
2020 – 21	32,835	1,822	6%	--	--

The average freshman typically scores in the top 5% of the high school seniors who annually take the College Entrance Examination Board’s SAT. Ninety percent of the entering students had a GPA of 3.6 or higher in their high school careers. The middle 50% of the fall 2019 freshman class scored between 710 and 770 on the evidence-based reading and writing section of the SAT and between 750 and 800 on the math section. A significant percentage of Princeton graduates pursue graduate and professional education. In recent years, roughly 17% - 22% 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*

Academic Year of Matriculation	Completed Applications	Total Admitted	Total Accepted
2015 – 16	10,956	1,258	624
2016 – 17	10,804	1,305	646
2017 – 18	10,967	1,331	657
2018 – 19	11,731	1,373	668
2019 – 20	11,733	1,321	649

*Excludes visitors and non-degree candidates.

Tuition and Fees

The full-time tuition charge for the 2019 – 2020 academic year is \$51,870 for both the undergraduate and graduate students. The table below provides a five-year summary of annual tuition rates:

Academic Year	Tuition Rate (\$)
2015 – 16	43,450
2016 – 17	45,320
2017 – 18	47,140
2018 – 19	49,450
2019 – 20	51,870

In addition, the standard room rate for undergraduates for the 2019 – 2020 academic year is \$10,090 and the board rate is \$7,060. For graduate students, the average room rate is \$7,530 and the average board rate is \$3,857.

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. 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 \$158 million for undergraduate scholarships in the 2019 – 2020 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 62% of the current undergraduate student body receives need-based financial aid from the University or from outside sources. In the 2019 – 2020 academic year, a total of \$187.4 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 2% of the total. The remaining 94% 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 2019 – 2020 academic year, approximately \$231 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 90,000 living alumni with the greatest concentrations in New York, California, New Jersey, Massachusetts, and Pennsylvania.

Fund Raising

For the fiscal years 2015 through 2019, the University has received, on average, \$343.5 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, 2019, receipts from private gifts and grants totaled \$326.3 million, while the present value of outstanding pledges at year-end was \$306.3 million. Annual Giving for fiscal year 2019 was \$68.6 million, with 55.4% participation by undergraduate alumni.

Financial Statements

The University presents its consolidated 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:

Net assets without donor restrictions are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. This category also includes income and gains or losses on these funds.

Net assets with donor restrictions 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. Net assets with donor restrictions include donor-restricted gifts, pledges, trusts and remainder interests, and income and gains that can be expended but for which restrictions have not yet been met or that are required to be permanently retained. 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. Restrictions

are normally released upon the passage of time or the incurrence of expenditures that fulfill the donor-imposed purpose. 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, 2019 and 2018, and the Statements of Activities and the Statements of Cash Flows for the years ended June 30, 2019 and 2018. The University's consolidated financial statements include the accounts of its wholly-owned subsidiaries, foundation, and investments 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, 2019 are derived from the audited consolidated financial statements of the University. The data should be read in conjunction with the audited consolidated financial statements and related notes.

<i>(in \$ thousands)</i>	<u>As of June 30, 2015</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2018</u>	<u>As of June 30, 2019</u>
Operating Activities:					
Total revenues	\$1,621,075	\$1,687,756	\$ 1,813,829	\$2,012,559	\$2,146,237
Total expenses	<u>(1,541,620)</u>	<u>(1,670,740)</u>	<u>(1,615,975)</u>	<u>(1,718,147)</u>	<u>(1,740,701)</u>
Net increase	\$ 79,455	\$ 17,016	\$ 197,854	\$ 294,412	\$ 405,536
Non-operating activities:					
Net increase (decrease)	\$1,748,332	\$ (645,549)	\$ 1,706,782	\$2,288,102	\$276,052
Change in non-controlling interest	<u> --</u>	<u> --</u>	<u> 191,425</u>	<u> 9,536</u>	<u> (4,195)</u>
Increase (decrease) in net Assets	<u>\$1,827,787</u>	<u>\$ (628,533)</u>	<u>\$ 2,096,061</u>	<u>\$2,592,050</u>	<u>\$ 677,393</u>

From fiscal year 2015 to fiscal year 2019, total revenues increased from \$1.6 billion to \$2.1 billion. Over the same five-year period, total expenses increased from \$1.5 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, certain 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. Revenue from tuition and fees are presented at transaction prices, which typically are determined based on standard published rates for the services provided, less any institutional financial aid awarded by

the University to qualifying students. For fiscal year 2020, the tuition rate reflects a 4.9% increase, with an overall increase in tuition and fees of 4.9%.

Government Grants and Contracts represent another important source of University income. Approximately 36% 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 \$0.70 million in fiscal year 2019 for a variety of specific purposes.

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 totaled approximately \$53 million of revenues in fiscal year 2019.

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. Gift revenues include amounts that are with and without donor restrictions 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, less any institutional financial aid awarded by the University to qualifying students, as well as conference services and faculty and senior staff 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 4% 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 current spending rate is well within the policy band.

The principal functions affecting expenditures of the University, which are disclosed in the footnotes to the financial statements, are as follows:

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

Student Services and Support 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, as well as auxiliary enterprises and related student aid.

General Administration and Operations reflect the expenditures of the departmental “business offices” and other administrative offices that serve the University.

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.

Independent Operations include the Princeton Plasma Physics Laboratory, which is operated by the University on behalf of the US Department of Energy.

Investments

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

<u>Investments</u>	
<i>(in thousands of dollars)</i>	
Year Ended	
June 30	Market Value
2015	23,158,402
2016	22,485,669
2017	24,474,729
2018	26,460,656
2019	26,812,198

In order to oversee the management of the endowment and related investments, the University established PRINCO in January 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 \$400 million commercial paper programs from its investment resources. As of April 30, 2020, there was approximately \$1.9 billion in daily liquidity consisting primarily of United States Treasury Securities, Treasury repos and

cash.¹ As of April 30, 2020, \$92.0 million of taxable commercial paper and \$19.0 million of tax-exempt commercial paper were outstanding.

Third-Party Debt

As of June 30, 2019, the University had outstanding indebtedness of approximately \$3.0 billion (including unamortized premium/discount) in the form of taxable debt, loans through the New Jersey Educational Facilities Authority (“NJEFA”), advances from Bank of America to fund a parental loan program, notes and commercial paper.

University Indebtedness

	June 30, 2019	June 30, 2018
	<i>(dollars in thousands)</i>	
NJEFA Bonds – Tax-Exempt Revenue Bonds, 2003 Series D through 2017 Series I	\$1,923,914	\$2,007,819
Taxable Bonds, Series 2009A	498,902	748,270
Taxable Bonds, Series 2016A	100,000	100,000
Taxable Bonds, Series 2017A	150,000	150,000
Taxable Notes, 2012 and 2013	245,000	245,000
NJEFA Higher Education Capital Improvement Fund, Series 2014 B and Series 2016 A	3,063	3,344
Parental Loans	46,505	47,691
Commercial Paper:		
Taxable	55,500	28,500
Tax-Exempt	12,000	0
Notes	206	376
Total Borrowings	\$3,035,090	\$3,330,999
Unamortized Debt Issuance Costs	(7,904)	(9,756)
Total Borrowings Net of Unamortized Issuance Costs	\$3,027,186	\$3,321,243

Note: Totals may not add due to rounding.

The University provides further detail on its Short Term Borrowing Program below.

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

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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 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. As of June 30, 2019, the 2003 Series D Bonds and the 2010 Series B Bonds were no longer outstanding. 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 2017 Series B Bonds were issued for the purpose of the current refunding and defeasance of the 2007 Series E, and 2007 Series F, and for the purpose of advance refunding and defeasance of a portion of the Series 2008 K Bonds. The 2017 Series C Bonds were issued for the purpose of funding new construction and renovations, and for the refunding of all or a portion of the taxable and tax-exempt commercial paper notes. The 2017 Series I Bonds were issued for the purpose of the advance refunding and defeasance of a portion of the 2008 Series J and the 2010 Series B Bonds.

The 2009 Series A Taxable Bonds were issued to provide funds for working capital and other corporate purposes. In May 2018, the University completed an early partial redemption of the 2009 Series A Taxable Bonds, which resulted in a cash defeasance of \$250 million of the \$500 million bullet maturity due on March 1, 2019 and a make-whole redemption expense of \$4.3 million. In March 2019, the University paid off the remainder of the \$500 million bullet maturity. The 2016 Series A and 2017 Series A 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, 2019 and 2018, the balances outstanding were \$46.5 million and \$47.7 million, respectively.

The University has available bank lines of credit totaling \$300 million under which the University may borrow on an unsecured basis. In May 2020, the Board approved an increase to

the authorization amount for the University's lines of credit from \$300 million to \$500 million. As of April 30, 2020, approximately \$280.0 million was drawn under the three lines of credit, in addition to approximately \$7.7 million outstanding in the form of letters of credit.²

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

2015	206,934
2016	220,450
2017	242,877
2018*	506,355
2019	471,464

*Long-term debt service for fiscal year 2018 includes the partial redemption of the University's 2009 Series A Taxable Bonds originally due March 2019.

The following is the long-term projected debt service for fiscal years 2020 through 2024 for the debt outstanding as of June 30, 2019 (\$ in thousands):

Year Ended June 30	Principal	Interest	Total
2020	93,887	127,458	221,346
2021	125,052	123,055	248,108
2022	86,341	118,098	204,439
2023	79,246	113,882	193,128
2024	78,655	110,117	188,772

Note: Totals may not add due to rounding.

Short-Term Borrowing

In fiscal year 1998, a commercial paper program of \$120 million 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 of \$180 million under which the University directly issues commercial paper. The University implemented a \$100 million increase to the authorized limit of the taxable commercial paper program in March 2019. Proceeds of the NJEFA and University commercial paper programs are authorized to a maximum combined level of \$400 million. As of June 30, 2019, the University had \$12 million of tax-exempt commercial paper outstanding and no amount outstanding in the previous fiscal year. As of June 30, 2019 and 2018, the University's taxable commercial paper outstanding was \$55.5

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million and \$28.5 million, respectively. As of April 30, 2020, \$92.0 million and \$19.0 million of taxable and tax-exempt commercial paper was outstanding, respectively.³

Capital Planning

The University employed a ten-year planning framework for its recently completed capital plan (FY08-FY17), which ended officially on June 30, 2017 at a final plan total of \$3.25 billion (some residual portion of this amount is to be expended in FY18 and beyond). A similar planning structure was utilized for the University's new Capital Plan (the "*Plan*"). The University initiated the Plan in the beginning of FY18 to serve as an overarching framework for its capital activity from FY18 through FY30. The Plan integrates capital activity undertaken by the University during this period, including the construction of new facilities, the renovation of existing buildings, as well as implementing infrastructure upgrades. The Plan also includes ongoing annual commitments to major maintenance and other renewal programs – which include health, safety, security, and accessibility initiatives, laboratories, classrooms, furnishings and landscaping – as well as the University's real estate activity. Also included under the Plan umbrella is the enabling of expansion of the University student body, which includes residential accommodations, as well as expansions to facilities supporting health and wellness and campus life. 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 – which focuses on long-term assets. 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 projected new construction that includes the following major initiatives: expanding and enhancing computer science, engineering and environmental studies; development of a new campus across Lake Carnegie from the main campus, as well as updating and expanding the University's energy, transportation, and technology infrastructure. Investments in undergraduate and graduate student and faculty/staff housing, athletic fields and complexes, the art museum and other improvements are also included in the period covered by the Plan.

The Plan also incorporates a significant investment in the maintenance of the University's physical assets through its renovation, major maintenance and annual renewal program components. Included in the renovation component are academic projects, including the completion of the University's main library renovation and renewal of Robertson Hall, campus life, health services, housing, athletics projects, and infrastructure improvements. The Plan targets an annual level of investment in the 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. The University anticipates that it will access the capital markets from time to time to provide a portion of the financing for the Plan during the period covered by the Plan.

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Employees

As of June 30, 2019, 7,021 people were employed by the University (not including students), consisting of 1,269 faculty members, 3,912 other professionals and 1,840 other employees. Included in these totals are 958 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 a third-party administrator, TIAA. The University also provides a voluntary contributory 403(b) retirement savings plan through TIAA with qualified pre-tax and Roth options 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.

Covid-19 Disclosure

The outbreak of the Novel Coronavirus 2019 ("*COVID-19*") has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. The pandemic may have an adverse effect on the future financial and operating performance of the University. Adverse consequences of COVID-19 in the future may include, but are not limited to, impacts to enrollment, room and board revenues, programs that involve travel or that have international connections, research, investment performance, and philanthropic donations. The University's financial performance will depend on future developments, including, for example, (i) the duration and spread of outbreaks, (ii) additional restrictions and advisories imposed or issued by federal, state and local governments, (iii) legislation arising from circumstances related to, and actions taken in response to, the pandemic, (iv) the continued effects of the pandemic on the financial markets, and (v) the continued effects of the pandemic on the economy overall, all of which are highly uncertain and cannot be predicted. Therefore, the full impact of COVID-19 and the scope of any adverse impact on the University's finances and operations cannot be determined at this time.

The University has been closely monitoring the COVID-19 pandemic and its impact on the University community. Beginning in March 2020, the University took steps to promote social distancing in the University, including moving all classes, lectures, seminars, teaching labs, and precepts to virtual instruction, and they remained virtual through the end of spring semester 2020.

Most of the undergraduate student population was required to leave and left campus, and the University granted pro-rated credits for room and board and other appropriate fees. The University also asked graduate students who had another readily accessible residence to depart for that residence and pursue their academic activities remotely. In addition, faculty and staff who were able to do so have been working remotely using business continuity plans. Research labs and in-person operations have largely been suspended with a small number of exceptions and provisions for the continuation of critical operations (data management, equipment maintenance, animal care, etc.) that cannot be managed remotely. All of these steps were taken in compliance with a number of New Jersey Executive Orders prohibiting in-person instruction and curbing other on-campus activities. Even though various functions have been conducted remotely, the University has remained operational.

Given uncertainties over the progression of the virus and governmental orders and private responses to the pandemic, a timetable has not been set for resuming in-person instruction or the full scope of research and on-campus operations in whole or in part. Planning for recovery has been an integral component of the University's pandemic response. As government mandated restrictions are relaxed, the University expects to resume all aspects of its on-campus operations in phases as consistent with public health guidance, and continue to adopt appropriate prophylactic measures to protect the health of the University community. The University has indicated that, subject to state restrictions, it expects to make decisions by early July 2020 as to what forms of on-campus instruction and residential life may be available on campus for the fall semester.

The University expects that cost savings will fully offset lost revenues of approximately \$30 million due to the COVID-19 pandemic during FY2020.⁴ The University's leadership also has taken steps to reduce costs in anticipation of pressures that may continue into FY2021. The University expects significant cost savings for all academic and administrative areas due to hosting fewer events, curtailing travel, decreasing food purchases, reducing hiring, and freezing almost all salaries and wages, except those with contractual inflators or where required for faculty promotion and retention, for FY2021. Allocations to the capital budget have also been reduced from the originally planned FY2021 amounts. These interventions are designed to secure the University's short-term and long-term financial resources and provide flexibility.

Putative class action lawsuits against many institutions of higher education have been filed following suspension of residential and in-person instruction in response to the COVID-19 pandemic. These lawsuits seek damages, including refunds of tuition, room, board, fees and other charges. As of the date hereof, the University has not been named in any lawsuit of this type, believes that any such potential claim against it would be without merit, and would vigorously defend itself against any such claim. No assurance can be made that such lawsuits will not be initiated against the University in the future. The scope and materiality of any impact resulting from any such lawsuits, if filed in the future against the University, cannot be determined at this time.

⁴ The preliminary financial data included in this Offering Memorandum has been prepared by, and is the responsibility of University management. The Auditor has not audited, reviewed, compiled, or applied agreed-upon procedures with respect to the preliminary financial data. Accordingly, the Auditor does not express an opinion or any other form of assurance with respect thereto.

The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community while ensuring the continuity of the University's mission.

As part of its ongoing response to the pandemic, the University has posted certain information relating to the pandemic for the benefit of the University community on its website. Such information can be accessed via the following website address: <https://www.princeton.edu/content/covid-19-coronavirus-information>. **Reference to the University's COVID-19 resource website in this Offering Memorandum is for informational purposes only and is in the form of a hyperlink solely for the reader's convenience. This website and the information or links contained therein are not incorporated into, and are not part of, this Appendix A or this Offering Memorandum and such information shall not be relied upon by any investor in making any investment decision with respect to the Bonds. The University has not undertaken to update any such information relating to the pandemic on its website for the benefit of investors and the University may discontinue posting such information on its website at any time in its sole discretion.**

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

**CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018, AND REPORT OF INDEPENDENT AUDITORS**

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Report of Independent Auditors

To the Trustees of Princeton University:

We have audited the accompanying consolidated financial statements of Princeton University and its subsidiaries (the "University", which as described in Note 2 is legally known as The Trustees of Princeton University), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and 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 and its subsidiaries as of June 30, 2019 and 2018, 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.

Princeton University Coopers LLP

November 26, 2019

Consolidated Statements of Financial Position

Princeton University
June 30, 2019 and 2018

<i>(dollars in thousands)</i>	2019	2018
Assets		
Cash	\$ 22,633	\$ 23,230
Accounts receivable	122,776	87,710
Receivables associated with investments	71,804	30,526
Educational and mortgage loans receivable	446,784	437,313
Contributions receivable	306,325	273,598
Inventory and deferred charges	19,805	14,648
Managed investments at market value	25,811,952	25,646,173
Funds held in trust by others	114,969	113,070
Other investments	1,000,246	814,483
Property, net of accumulated depreciation	4,156,896	4,141,300
Total assets	\$ 32,074,190	\$ 31,582,051
Liabilities		
Accounts payable	\$ 42,796	\$ 41,393
Liabilities associated with investments	63,361	37,457
Deposits, advance receipts, and accrued liabilities	135,910	167,661
Deposits held in custody for others	138,517	135,916
Liability under planned giving agreements	92,048	94,742
Indebtedness to third parties	3,027,186	3,321,243
Accrued postretirement benefits	501,426	388,086
Total liabilities	\$ 4,001,244	\$ 4,186,498
Net assets		
Without donor restrictions controlled by the University	\$ 12,220,192	\$ 11,881,694
Without donor restrictions attributable to noncontrolling interests	196,767	200,961
Total net assets without donor restrictions	12,416,959	12,082,655
Total net assets with donor restrictions	15,655,987	15,312,898
Total net assets	\$ 28,072,946	\$ 27,395,553
Total liabilities and net assets	\$ 32,074,190	\$ 31,582,051

See notes to consolidated financial statements.

Consolidated Statements of Activities

Princeton University
Year ended June 30, 2019

<i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenues			
Tuition and fees, net of financial aid	\$ 132,129	-	\$ 132,129
Government grants and contracts	307,405	-	307,405
Private gifts, grants, and contracts	78,140	\$ 138,089	216,229
Auxiliary sales and services, net of financial aid	77,155	-	77,155
Other operating revenues	44,620	-	44,620
Investment earnings distributed	602,549	766,150	1,368,699
Total operating revenues	1,241,998	904,239	2,146,237
Net assets released from restrictions	817,690	(817,690)	-
Total revenues and other sources	2,059,688	86,549	2,146,237
Operating expenses			
Salaries and wages	754,530	-	754,530
Employee benefits	213,126	-	213,126
Supplies, services, and other	323,520	-	323,520
Space and occupancy	74,810	-	74,810
Student stipends and prizes	71,651	-	71,651
Depreciation	177,932	-	177,932
Interest on indebtedness	125,132	-	125,132
Total operating expenses	1,740,701	-	1,740,701
Results of operations	318,987	86,549	405,536
Nonoperating activities			
Adjustments to planned giving agreements	-	4,132	4,132
Increase in value of assets held in trust by others	-	1,899	1,899
Private gifts, noncurrent	18,673	191,794	210,467
Net realized and unrealized appreciation on investments	699,343	818,422	1,517,765
Distribution of investment earnings	(602,549)	(766,150)	(1,368,699)
Net periodic benefit cost other than service cost	(6,457)	-	(6,457)
Other postretirement benefit changes	(83,055)	-	(83,055)
Reclassifications, transfers, and other nonoperating	(6,443)	6,443	-
Increase from nonoperating activities	19,512	256,540	276,052
Increase in net assets - University	338,499	343,089	681,588
Change in noncontrolling interests	(4,195)	-	(4,195)
Total increase in net assets	334,304	343,089	677,393
Net assets at the beginning of the year	12,082,655	15,312,898	27,395,553
Net assets at the end of the year	\$ 12,416,959	\$ 15,655,987	\$ 28,072,946

See notes to consolidated financial statements.

Consolidated Statements of Activities

Princeton University
Year ended June 30, 2018

<i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2018 Total
Revenues			
Tuition and fees, net of financial aid	\$ 128,728	-	\$ 128,728
Government grants and contracts	292,917	-	292,917
Private gifts, grants, and contracts	96,912	\$ 45,834	142,746
Auxiliary sales and services, net of financial aid	74,852	-	74,852
Other operating revenues	62,409	-	62,409
Investment earnings distributed	580,790	730,117	1,310,907
Total operating revenues	1,236,608	775,951	2,012,559
Net assets released from restrictions	789,702	(789,702)	-
Total revenues and other sources	2,026,310	(13,751)	2,012,559
Operating expenses			
Salaries and wages	729,523	-	729,523
Employee benefits	212,348	-	212,348
Supplies, services, and other	315,060	-	315,060
Space and occupancy	71,128	-	71,128
Student stipends and prizes	67,494	-	67,494
Depreciation	173,677	-	173,677
Interest on indebtedness	148,917	-	148,917
Total operating expenses	1,718,147	-	1,718,147
Results of operations	308,163	(13,751)	294,412
Nonoperating activities			
Adjustments to planned giving agreements	(236)	7,295	7,059
Increase in value of assets held in trust by others	-	3,037	3,037
Private gifts, noncurrent	19,227	208,055	227,282
Net realized and unrealized appreciation on investments	1,446,502	1,790,389	3,236,891
Distribution of investment earnings	(580,790)	(730,117)	(1,310,907)
Net periodic benefit cost other than service cost	(17,374)	-	(17,374)
Other postretirement benefit changes	142,114	-	142,114
Reclassifications, transfers, and other nonoperating	(85,265)	85,265	-
Increase from nonoperating activities	924,178	1,363,924	2,288,102
Increase in net assets - University	1,232,341	1,350,173	2,582,514
Change in noncontrolling interests	9,536	-	9,536
Total increase in net assets	1,241,877	1,350,173	2,592,050
Net assets at the beginning of the year	10,840,778	13,962,725	24,803,503
Net assets at the end of the year	\$ 12,082,655	\$ 15,312,898	\$ 27,395,553

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Princeton University
Years ended June 30, 2019 and 2018

<i>(dollars in thousands)</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 677,393	\$ 2,592,050
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	177,932	173,677
Amortization of bond issuance costs and premiums	(12,921)	(18,876)
Property gifts-in-kind	(1,310)	(523)
Adjustments to planned giving agreements	(4,132)	(7,059)
Net realized and unrealized gains on investments	(1,517,765)	(3,236,891)
Loss on disposal of fixed assets	31,824	9,767
Increase in value of assets held in trust by others	(1,899)	(3,037)
Contributions received for long-term investment	(135,976)	(65,641)
Change in noncontrolling interests	4,195	(9,536)
Changes in operating assets and liabilities:		
Receivables	(77,264)	(95,629)
Inventory and deferred charges	(5,157)	(1,960)
Accounts payable	3,966	(29,006)
Deposits, advance receipts, and accrued liabilities	(31,751)	(29,232)
Deposits held in custody for others	2,601	12,421
Accrued postretirement benefits	113,340	(93,501)
Net cash used in operating activities	(776,924)	(802,976)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(235,775)	(234,736)
Proceeds from disposal of property, plant, and equipment	9,170	4,132
Purchases of investments	(12,159,278)	(13,692,231)
Proceeds from maturities/sales of investments	13,305,932	14,958,334
Net cash provided by investing activities	920,049	1,035,499
Cash flows from financing activities		
Issuance of indebtedness to third parties	47,150	456,470
Payment of debt principal	(328,286)	(753,739)
Contributions received for long-term investment	135,976	65,641
Transactions on planned giving agreements	1,438	7,354
Net cash used in financing activities	(143,722)	(224,274)
Net (decrease) increase in cash	(597)	8,249
Cash at the beginning of the year	23,230	14,981
Cash at the end of the year	\$ 22,633	\$ 23,230
Supplemental disclosures		
Interest paid	\$ 139,952	\$ 160,877

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2019 and 2018

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 5,267 undergraduates and 2,946 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 1,290, 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) Topic 958, *Not-for-Profit Entities*.

External consolidated financial statements of not-for-profit organizations require the preparation of a consolidated statement of financial position, a consolidated statement of activities, and a consolidated statement of cash flows. The classification of the organization’s net assets and its revenues and expenses into two categories according to the existence or absence of donor-imposed restrictions — net assets with donor restrictions and net assets without donor restrictions — is also required. Changes, including reclassification and transfers, in each category are reflected in the Consolidated Statements 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, postretirement benefit changes and other nonrecurring activities.

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 net assets with donor restrictions.

Other significant accounting policies are described elsewhere in these notes.

The preparation of the University’s consolidated 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 revenues and expenses included in the Consolidated Statements of Activities. Actual results could differ from such estimates.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

NEW AUTHORITATIVE PRONOUNCEMENTS

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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 in exchange for goods and services. The University adopted ASU 2014-09 in 2019 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the presentation and disclosure of revenue primarily related to tuition, fees, and auxiliary services as described below.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance for evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and for determining whether a contribution is conditional or unconditional. The University adopted ASU 2018-08 in 2019 using a modified prospective basis of application. The amendments in this ASU were applied only to the portion of revenue or expense that had not yet been recognized before the effective date in accordance with prior guidance, and no prior-period results were restated.

The adoption of ASU 2018-08 resulted in changes to the recognition of revenue from certain non-government sponsors of grants, primarily private foundations. Incremental revenue in the amount of \$62 million from private grants that were determined to be unconditional was immediately recognized in the 2019 Consolidated Statement of Activities. Grants from government and certain private sponsors were determined to be conditional, and, consequently, the policy of recognizing revenue over time as qualified expenditures are incurred or milestones are met is unchanged. New disclosures about sponsored grants and contracts are included below.

Revenue from Tuition, Fees, and Auxiliary Services

Revenue from tuition, fees, and auxiliary services, which consist primarily of student room and board, are presented at transaction prices, which typically are determined based on standard published rates for the services provided, less any institutional financial aid awarded by the University to qualifying students. For the years ended June 30, 2019 and 2018, revenue from tuition, fees, and auxiliary services was as follows:

2019

(dollars in thousands)

	At published rates	Institutional aid	Total net
Tuition and fees	\$ 394,183	(\$ 262,054)	\$ 132,129
Room, board, and other	99,745	(22,590)	77,155
Total	\$ 493,928	(\$ 284,644)	\$ 209,284

2018

(dollars in thousands)

	At published rates	Institutional aid	Total net
Tuition and fees	\$ 369,223	(\$ 240,495)	\$ 128,728
Room, board, and other	95,315	(20,463)	74,852
Total	\$ 464,538	(\$ 260,958)	\$ 203,580

Notes to Consolidated Financial Statements

Princeton University

Years ended June 30, 2019 and 2018

Of the \$209 million in net total tuition, fees, and auxiliary revenue recognized in fiscal year 2019, \$169 million was from undergraduate students, \$22 million was from graduate students, and \$18 million was from other sources. Of the \$204 million in net total tuition, fees, and auxiliary revenue recognized in fiscal year 2018, \$164 million was from undergraduate students, \$21 million was from graduate students, and \$19 million was from other sources.

Tuition, fees, and auxiliary revenues are recognized and associated performance obligations are satisfied over time during the course of the fiscal year in which the student services are provided.

Revenue from Sponsored Grants and Contracts

The University receives sponsored program funding in the form of grants and contracts from governments, foundations, industry, and other private sources generally for research activities. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large.

Grants and contracts that are reciprocal in nature include certain private grants and the contract with the U.S. Department of Energy to operate the Princeton Plasma Physics Laboratory. Revenue from exchange agreements generally is recognized over time as performance obligations are satisfied, which in most cases occur as related costs are incurred.

Revenue from non-exchange transactions (contributions/gifts and certain grants) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenue from conditional non-exchange transactions is recognized when the barrier is satisfied which is generally as costs are incurred or certain milestones are achieved. Conditions on grants, such as Federal government grants, typically include limitations on how research activities must be conducted, such as compliance with OMB cost principles. In addition, the University has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Revenue from non-exchange agreements that are considered unconditional, such as most foundation grants, generally is recognized as revenue with donor restrictions when the grant funds are awarded, and is released into net assets without donor restrictions when the purpose has been met.

As of June 30, 2019, the University has unrecorded conditional grant agreements of \$417 million from government sponsors and \$93 million from non-government sponsors. Indirect costs recovered on federally sponsored programs generally are based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors.

Other Pronouncements

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

Princeton University
Years ended June 30, 2019 and 2018

The FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)* in August 2016, and ASU 2016-18, *Restricted Cash (Topic 230)* in November 2016. ASU 2016-15 includes guidance on the presentation of eight specific cash flow areas in an effort to reduce diversity in practice regarding how certain transactions are classified within the statement of cash flows. ASU 2016-18 addresses the presentation, disclosure, and cash flow classification of restricted cash and requires that the statement of cash flow explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities also would be required to reconcile these amounts on the balance sheet to the statement of cash flows and disclose the nature of the restrictions. The guidance is effective for the University for fiscal years beginning after December 15, 2018. The University currently is assessing the impact the adoption of these standards will have on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permissible. This ASU removes certain disclosures, modifies certain disclosures, and adds additional disclosures related to fair value measurement. The University is evaluating the impact of the new standard on the University consolidated financial statements.

In March 2019, the FASB issued ASU 2019-03, *Updating the Definitions of Collections, Not-for-Profit Entities (Topic 958)*. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permissible. This ASU modifies the term “Collections,” which in turn may change collection recognition policies, and also adds certain disclosure requirements. 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 include both domestic and foreign issues) generally is 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 asset value of such investments and generally is 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 consolidated financial statements. These investments generally are 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.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

A summary of managed investments by asset category at fair value at June 30, 2019 and 2018 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>	2019	2018
Managed investments:		
Developed markets	\$ 2,501.5	\$ 3,165.8
Emerging markets	2,500.1	2,358.6
Independent return	6,567.1	6,496.8
Private equity	9,459.3	8,717.3
Real assets	3,672.1	3,741.7
Fixed income	896.3	844.2
Cash and other	215.6	321.8
Gross managed investments¹	\$ 25,812.0	\$ 25,646.2
Receivables (liabilities) associated with investments — net	8.4	(6.9)
Noncontrolling interests	(196.8)	(201.0)
Net managed investments	\$ 25,623.6	\$ 25,438.3

¹Includes derivative financial instruments at fair value

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>	2019	2018
Princeton University	\$ 25,455.2	\$ 25,270.5
Stanley J. Seeger Hellenic Fund	49.0	48.8
Deposits held in custody for others	119.4	119.0
Net managed investments	\$ 25,623.6	\$ 25,438.3

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

<i>(dollars in millions)</i>	2019	2018
Net realized and unrealized gains (losses)	\$ 1,324.7	\$ 3,059.6
Interest, dividends, and other income	193.1	177.3
Total	\$ 1,517.8	\$ 3,236.9

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 \$12,233.51 and \$12,187.80 at June 30, 2019 and 2018, respectively. The average value of a unit during the years ending June 30, 2019 and 2018 was \$11,921.94 and \$11,626.71, respectively.

The average invested market balance in the unitized pool during the years ending June 30, 2019 and 2018 was \$24.887 billion and \$24.221 billion, respectively.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

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 \$650.40 and \$625.38 for fiscal years 2019 and 2018, 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 consolidated 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 the case of forward currency exchange contracts, options, and swap contracts, these instruments are traded through securities and commodities exchanges. These financial instruments are executed with creditworthy banks and brokerage firms, are subject to an enforceable master netting arrangement or similar agreement, and are presented at fair value on a net basis on the Consolidated Statements of Financial Position.

Investment-related derivative exposures at June 30 are as follows:

2019 <i>(dollars in millions)</i>	Long Notional¹	Short Notional¹	Net Derivative Assets (Liabilities)	Gains (Losses)²
Index futures	-	\$ (366.3)	\$ (6.0)	\$ (38.3)
Equity swaps	\$ 170.9	(23.7)	8.5	36.1
Forward contracts	-	-	-	(11.9)
Total	\$ 170.9	\$ (390.0)	\$ 2.5	\$ (14.1)

2018 <i>(dollars in millions)</i>	Long Notional¹	Short Notional¹	Net Derivative Assets (Liabilities)	Gains (Losses)²
Index futures	\$ 259.4	\$ (255.3)	\$ (4.4)	\$ (22.7)
Equity swaps	220.3	(215.2)	19.3	(6.2)
Forward contracts	-	-	-	(29.2)
Total	\$ 479.7	\$ (470.5)	\$ 14.9	\$ (58.1)

¹ Notional amounts are representative of the volume and activity of each derivative type during the years ended June 30, 2019 and 2018

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

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

2019 <i>(dollars in millions)</i>	# of Contracts	Fair Value		Collateral (Held) Pledged	Net
		Gross Derivative Assets	Gross Derivative Liabilities		
Counterparty A	1	-	\$ 6.0	\$ 21.9	\$ 15.9
Counterparty B	3	\$ 9.9	-	-	9.9
Counterparty C	1	-	(1.5)	-	(1.5)
Total	5	\$ 9.9	\$ (7.5)	\$ 21.9	\$ 24.3

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

2018 <i>(dollars in millions)</i>	# of Contracts	Fair Value		Collateral (Held) Pledged	Net
		Gross Derivative Assets	Gross Derivative Liabilities		
Counterparty A	5	\$ 21.0	\$ (18.5)	\$ 18.5	\$ 21.0
Counterparty B	1	5.3	-	-	5.3
Counterparty C	1	7.0	-	-	7.0
Total	7	\$ 33.3	\$ (18.5)	\$ 18.5	\$ 33.3

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 \$115.0 million in 2019 and \$113.1 million in 2018.

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, 2019 and 2018 is as follows:

<i>(dollars in millions)</i>	2019	2018
Working capital	\$ 658.4	\$ 427.1
Planned giving investments	175.9	176.6
Proceeds from debt	66.5	125.1
Strategic real estate investments	32.7	31.6
Other	66.7	54.1
Total	\$ 1,000.2	\$ 814.5

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

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

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, 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 primarily consist 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 proportion 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 value (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 leveling 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.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

The following tables present the University's assets that are measured at fair value for each hierarchy level, at June 30, 2019 and 2018.

2019 <i>(dollars in millions)</i>	Fair Value Measurements at Reporting Date Using				
	Quoted Prices in Active	Significant Other	Significant	NAV as	
	Total	Assets (Level 1)	(Level 2)	Unobservable Inputs (Level 3)	Practical Expedient
Assets at fair value					
Managed investments (gross):					
Developed markets	\$ 2,501.5	\$ (6.0)	\$ 0.0	\$ 1.0	\$ 2,506.5
Emerging markets	2,500.1	710.2	-	-	1,789.9
Independent return	6,567.1	-	-	1.1	6,566.0
Private equity	9,459.3	-	(1.4)	138.6	9,322.1
Real assets	3,672.1	318.6	9.9	3.9	3,339.7
Fixed income	896.3	896.3	-	-	-
Cash and other	215.6	217.7	(2.1)	-	-
Total managed investments (gross)	25,812.0	2,136.8	6.4	144.6	23,524.2
Funds held in trust by others	115.0	-	-	115.0	-
Other investments	1,000.2	792.0	-	208.2	-
Total	\$ 26,927.2	\$ 2,928.8	\$ 6.4	\$ 467.8	\$ 23,524.2

2018 <i>(dollars in millions)</i>	Fair Value Measurements at Reporting Date Using				
	Quoted Prices in Active	Significant Other	Significant	NAV as	
	Total	Assets (Level 1)	(Level 2)	Unobservable Inputs (Level 3)	Practical Expedient
Assets at fair value					
Managed investments (gross):					
Developed markets	\$ 3,165.8	\$ 122.5	\$ (1.1)	\$ 0.9	\$ 3,043.5
Emerging markets	2,358.6	428.1	-	-	1,930.5
Independent return	6,496.8	-	-	3.1	6,493.7
Private equity	8,717.3	29.2	-	199.9	8,488.2
Real assets	3,741.7	306.4	20.4	4.1	3,410.8
Fixed income	844.2	844.2	-	-	-
Cash and other	321.8	329.7	(7.9)	-	-
Total managed investments (gross)	25,646.2	2,060.1	11.4	208.0	23,366.7
Funds held in trust by others	113.1	-	-	113.1	-
Other investments	814.5	608.2	-	206.3	-
Total	\$ 26,573.8	\$ 2,668.3	\$ 11.4	\$ 527.4	\$ 23,366.7

Assets and liabilities of a majority-owned and -controlled investment fund have been consolidated for reporting purposes at June 30, 2019 and 2018. Gross managed investments, specifically the independent return asset class, include consolidated investment fund assets of \$1,087.3 million and \$1,096.9 million at June 30, 2019 and 2018, respectively, and liabilities associated with investments include consolidated investment fund liabilities of \$10.2 million and \$5.4 million at June 30, 2019 and 2018, respectively. The portion of consolidated net assets not owned by the University is reported as a noncontrolling interest.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

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, 2019 and 2018:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

<i>(dollars in millions)</i>	Total gains or losses included in		Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	June 30, 2019
	June 30, 2018	changes in net assets					
Assets at fair value							
Managed investments (gross):							
Developed markets	\$ 0.9	\$ 0.1	-	-	-	-	\$ 1.0
Emerging markets	-	-	-	-	-	-	-
Independent return	3.1	(1.2)	-	\$ (0.8)	-	-	1.1
Private equity	199.9	(31.7)	\$ 4.6	(18.7)	-	\$ (15.5)	138.6
Real assets	4.1	0.1	-	(0.3)	-	-	3.9
Total managed							
investments (gross)	208.0	(32.7)	4.6	(19.8)	-	(15.5)	144.6
Funds held in trust by others	113.1	1.9	-	-	-	-	115.0
Other investments	206.3	(3.7)	12.1	(6.5)	-	-	208.2
Total Level 3 investments	\$ 527.4	\$ (34.5)	\$ 16.7	\$ (26.3)	-	\$ (15.5)	\$ 467.8

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

<i>(dollars in millions)</i>	Total gains or losses included in		Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	June 30, 2018
	June 30, 2017	changes in net assets					
Assets at fair value							
Managed investments (gross):							
Developed markets	\$ 1.2	\$ (0.3)	-	-	-	-	\$ 0.9
Emerging markets	219.1	-	-	-	-	\$ (219.1)	-
Independent return	4.2	(0.7)	-	\$ (0.4)	-	-	3.1
Private equity	146.9	(13.8)	\$ 5.1	(58.0)	\$ 119.7	-	199.9
Real assets	4.9	(1.2)	0.8	(0.4)	-	-	4.1
Total managed							
investments (gross)	376.3	(16.0)	5.9	(58.8)	119.7	(219.1)	208.0
Funds held in trust by others	110.0	2.8	0.4	(0.1)	-	-	113.1
Other investments	207.8	-	4.8	(6.3)	-	-	206.3
Total Level 3 investments	\$ 694.1	\$ (13.2)	\$ 11.1	\$ (65.2)	\$ 119.7	\$ (219.1)	\$ 527.4

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 out of Level 3 to NAV assets occurred in the year ended June 30, 2019. The University's policy is to recognize transfers at the beginning of the reporting period.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

Realized losses of \$36.0 million and gains of \$33.7 million related to Level 3 investments and unrealized losses of \$0.3 million and \$49.7 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, 2019 and 2018, 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, 2019 and 2018. 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
2019				
Managed investments (gross)				
Developed markets (a)	\$ 2,501.5	\$ 75.0	daily—annually	7–90 days
Emerging markets (b)	2,500.1	86.7	daily—annually	7–90 days
Independent return (c)	6,567.1	678.4	monthly—annually	30–90 days
Fixed income and cash (d)	1,111.9	-	daily	1 day
Marketable asset classes	\$ 12,680.6	\$ 840.1		
Private equity (e)	9,459.3	2,562.7		
Real assets (f)	3,672.1	1,841.0		
Nonmarketable asset classes	\$ 13,131.4	\$ 4,403.7		
Total gross managed investments	\$ 25,812.0	\$ 5,243.8		

<i>(dollars in millions)</i>	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
2018				
Managed investments (gross)				
Developed markets (a)	\$ 3,165.8	\$ 122.9	daily—annually	4–90 days
Emerging markets (b)	2,358.6	220.3	daily—annually	7–90 days
Independent return (c)	6,496.8	598.3	monthly—annually	30–90 days
Fixed income and cash (d)	1,166.0	-	daily	1 day
Marketable asset classes	\$ 13,187.2	\$ 941.5		
Private equity (e)	8,717.3	2,703.7		
Real assets (f)	3,741.7	1,543.9		
Nonmarketable asset classes	\$ 12,459.0	\$ 4,247.6		
Total gross managed investments	\$ 25,646.2	\$ 5,189.1		

(a) Developed Markets: This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges, over-the-counter markets, or equity and debt securities traded on exchanges in countries with developed 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. Investments representing approximately 9 percent of the market value of this asset class are in nonredeemable assets.

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Princeton University
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(b) Emerging Markets: 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 16 percent of the market value of this asset class are invested in nonredeemable assets.

(c) 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 such as long/short equity investments and event-driven/arbitrage based upon the fund's investment mandate and the current opportunity set. Investments representing approximately 22 percent of the market value of this asset class are invested in nonredeemable assets.

(d) Fixed Income and Cash: On a combined basis, these asset classes primarily include 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.

(e) Private Equity: This asset class includes funds primarily invested in buyouts or venture capital. The fair values of the investments in this asset class generally 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. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

(f) Real Assets: This asset class includes funds primarily invested 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, \$493.3 million at June 30, 2019, and \$474.6 million at June 30, 2018, 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 generally are redeemable, made in entities that allow the University to request withdrawals in specified circumstances. However, approximately \$2.0 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 generally are 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, 2019.

The University is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. At June 30, 2019, the University had unfunded commitments of \$5.2 billion. Such commitments generally are called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

Notes to Consolidated Financial Statements

Princeton University
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5. ENDOWMENT

The University's endowment consists of approximately 4,700 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, *Not-for-Profit Entities*, 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 net assets with donor restrictions: (a) the original value of gifts donated to the 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. Also classified as net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds 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, 2019 and 2018 was:

	Without Donor Restrictions	With Donor Restrictions	Total
2019 (dollars in thousands)			
Donor-restricted endowment funds:			
Restricted in perpetuity	-	\$ 2,051,038	\$ 2,051,038
Appreciation	-	12,817,590	12,817,590
Board-designated endowment funds	\$ 10,631,017	-	10,631,017
Total	\$ 10,631,017	\$ 14,868,628	\$ 25,499,645
2018 (dollars in thousands)			
Donor-restricted endowment funds:			
Restricted in perpetuity	-	\$ 1,947,377	\$ 1,947,377
Appreciation	-	12,747,483	12,747,483
Board-designated endowment funds	\$ 10,621,362	-	10,621,362
Total	\$ 10,621,362	\$ 14,694,860	\$ 25,316,222

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

Changes in endowment net assets for the years ended June 30, 2019 and 2018, were:

2019 <i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 10,621,362	\$ 14,694,860	\$ 25,316,222
Net investment return	636,689	813,899	1,450,588
Contributions	8,208	95,170	103,378
Appropriation of endowment assets for expenditure	(593,514)	(757,818)	(1,351,332)
Reclassifications, transfers, and board designations	(41,728)	22,517	(19,211)
Endowment net assets, end of year	\$ 10,631,017	\$ 14,868,628	\$ 25,499,645

2018 <i>(dollars in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 9,702,394	\$ 13,542,695	\$ 23,245,089
Net investment return	1,411,787	1,783,798	3,195,585
Contributions	11,732	73,695	85,427
Appropriation of endowment assets for expenditure	(572,259)	(724,456)	(1,296,715)
Reclassifications, transfers, and board designations	67,708	19,128	86,836
Endowment net assets, end of year	\$ 10,621,362	\$ 14,694,860	\$ 25,316,222

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2019 and 2018. 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 then are used to restore the balance up to the fair market value of the original amount of the gift. Both fund deficiencies and subsequent gains above that amount are recorded in net assets with donor restrictions.

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 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.

Notes to Consolidated Financial Statements

Princeton University
Years ended June 30, 2019 and 2018

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 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.

6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The University's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the Consolidated Statement of Financial Position were as follows:

<i>(dollars in thousands)</i>	2019	2018
Financial assets:		
Cash	\$ 22,633	\$ 23,230
Accounts receivable	75,474	49,564
Educational and mortgage receivable	16,183	16,532
Contributions receivable	95,578	77,963
Working capital	658,427	427,100
Investments: appropriated for spending in the following year	1,412,000	1,357,000
Total financial assets available within one year	\$ 2,280,295	\$ 1,951,389
Liquidity resources:		
Taxable debt and commercial paper (unexpended)	291,512	254,991
Bank lines of credit (undrawn)	290,500	290,100
Total financial assets and resources available within one year	\$ 2,862,307	\$ 2,496,480

As part of the University's liquidity management strategy, the University structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term working capital investments. Cash withdrawals from the managed investment pool normally coincide with the endowment spending distribution, but may be adjusted higher or lower based on the timing of gift receipts, capital calls, income and capital distributions, operating expenses, and other factors affecting available cash. Endowment funds appropriated for spending are distributed to University department and program budgets for spending, subject to donor restrictions where applicable; however, cash withdrawals from the investment pool are available for general liquidity purposes. To help manage unanticipated liquidity needs, the University has committed bank lines of credit in the amount of \$300 million, which it could draw upon, and a taxable commercial paper program authorized to a maximum level of \$280 million.

Additionally, the University has board-designated endowment funds of \$10.6 billion as of June 30, 2019 and 2018. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for expenditure as part of its annual budget approval process, amounts from its board-designated endowment could be made

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available if necessary. However, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 4 for disclosures about investments).

7. 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 \$58.9 million and \$62.0 million at June 30, 2019 and 2018, 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 \$388.1 million and \$375.5 million at June 30, 2019 and 2018, 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 generally are 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, 2019 and 2018 to be prudent and reasonable.

Educational and mortgage loans receivable at June 30, 2019 and 2018 are reported net of allowances for doubtful loans of \$0.2 million.

8. CONTRIBUTIONS RECEIVABLE

At June 30, 2019 and 2018, the University had received from donors unconditional pledges receivable in the following periods:

<i>(dollars in thousands)</i>	2019	2018
Less than one year	\$ 95,578	\$ 77,963
One to five years	205,206	208,186
More than five years	43,469	27,630
Total	\$ 344,253	\$ 313,779
Less unamortized discount	30,630	33,676
Less allowance for doubtful pledges	7,298	6,505
Net amount	\$ 306,325	\$ 273,598

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The amounts pledged have been recorded after discounting the future cash flows to the present value (discount rates ranged from 0.72 percent to 6.18 percent). Current-year pledges are included in revenue as additions to net assets with donor restrictions and are included in contributions receivable at fair value based on observable ASC 820 Level 2 inputs.

In addition, at June 30, 2019, the University had received from donors pledges totaling \$68.9 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.

9. 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, 2019 and 2018 consisted of the following:

<i>(dollars in thousands)</i>	2019	2018
Land	\$ 111,180	\$ 112,214
Buildings and improvements	4,868,553	4,766,309
Construction in progress	55,901	31,258
Equipment and systems	431,723	441,933
Rare books	124,993	119,279
Library books, periodicals, and bindings	311,315	299,545
Fine art objects	147,344	141,649
Total property	\$ 6,051,009	\$ 5,912,187
Accumulated depreciation	(1,894,113)	(1,770,887)
Total	\$ 4,156,896	\$ 4,141,300

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 consolidated 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 5 to 15 years for equipment and systems. Art objects and rare books having cultural, aesthetic, or historical value are not depreciated.

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10. INCOME AND EXCISE TAXES

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, 2016 through the present.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. TCJA impacts the University in several ways, including imposing excise taxes on certain excess compensation and net investment income, and establishing new rules for calculating unrelated business taxable income. The University has reflected the tax assets, liabilities, and payables in the consolidated financial statements based on reasonable estimates under the currently available regulatory guidance on the TCJA. The University continues to evaluate the impact of the TCJA on current and future tax positions.

ASC 740, *Income Taxes*, prescribes the minimum recognition threshold that 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 consolidated 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 consolidated financial statements.

11. INDEBTEDNESS TO THIRD PARTIES

At June 30, 2019 and 2018, 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 notes as follows:

<i>(dollars in thousands)</i>	2019	2018
Taxable Revenue Bonds		
2009 Series A, 4.95% and 5.70%, due March 2019 and March 2039, net of unamortized discount of \$1,098 and \$1,730	\$ 498,902	\$ 748,270
2016 Series A, 1.85%, 2.61%, 3.63%, due July 2021, July 2026, July 2046	100,000	100,000
2017 Series A, 3.84%, due July 2048	150,000	150,000
Taxable Notes		
2012, 3.37%, due July 2042	170,000	170,000
2013, 4.73%, due July 2044	75,000	75,000
NJEFA Revenue Bonds		
2003 Series D, 3.73%, due July 2019, including unamortized premium of \$0 and \$685	-	11,815
2010 Series B, 4.03%, due July 2040, including unamortized premium of \$0 and \$992	-	6,777
2011 Series B, 4.09%, due July 2041, including unamortized premium of \$11,997 and \$12,543	227,843	234,003
2014 Series A, 3.77%, due July 2044, including unamortized premium of \$16,045 and \$16,687	205,076	208,622
2015 Series A, 2.32%, due July 2035, including unamortized premium of \$24,235 and \$25,749	141,935	160,484
2015 Series D, 3.40%, due July 2045, including unamortized premium of \$17,154 and \$17,814	161,569	162,229
2016 Series A, 2.53%, due July 2035, including unamortized premium of \$18,648 and \$19,814	124,258	125,424
2016 Series B, 1.77%, due July 2027, including unamortized premium of \$20,972 and \$23,594	130,987	136,614
2017 Series B, 2.91%, due July 2036, including unamortized premium of \$48,029 and \$50,854	355,734	376,309
2017 Series C, 3.50%, due July 2047, including unamortized premium of \$19,937 and \$20,649	161,032	161,743
2017 Series I, 2.97%, due July 2040, including unamortized premium of \$63,661 and \$66,693	415,481	423,798

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NJEFA Capital Improvement Fund Bonds	2109	2018
2014 Series B, 3.67%, due September 2033, including unamortized premium of \$167 and \$178	2,739	2,865
2016 Series A, 2.53%, due September 2020	323	479
Commercial Paper		
Taxable, 2.31% and 2.12%, with maturities up to one year	55,500	28,500
Tax-Exempt, 1.44% with maturities up to one year	12,000	-
Parent Loans , 0.56% to 5.40% with maturities up to nine years	46,505	47,691
Notes	206	376
Total Borrowings	\$ 3,035,090	\$ 3,330,999
Unamortized debt issuance costs	(7,904)	(9,756)
Total Borrowings Net of Unamortized Issuance Costs	\$ 3,027,186	\$ 3,321,243

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 year 1999, the University entered into a loan facility with a national bank to fund its parent loan program, which currently is 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 primarily are used to finance construction expenditures until permanent financing from gifts or other sources is made available. The University maintains a taxable and tax-exempt program, which is currently authorized to a maximum level of \$400 million.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2019, excluding commercial paper, are as follows:

<i>(dollars in thousands)</i>	Principal Payments
2020	\$ 93,888
2021	125,052
2022	86,341
2023	79,246
2024	78,655
Thereafter	2,264,660
Subtotal	2,727,842
Unamortized premium	239,748
Net long-term debt	\$ 2,967,590

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 \$9.5 million and \$9.9 million in letters of credit outstanding under these credit facilities at June 30, 2019 and 2018, respectively.

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12. 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 \$59.9 million and \$62.0 million for the years ended June 30, 2019 and 2018, respectively. The University also provides deferred compensation arrangements for certain officers, faculty, and staff. Accrued benefits of \$501.4 million and \$388.1 million for the years ended June 30, 2019 and 2018, respectively, include the Accumulated Postretirement Benefit Obligation and deferred compensation.

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 Consolidated 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 net assets without donor restrictions. The University calculates its Accumulated Postretirement Benefit Obligation (APBO) in accordance with ASC 715, which initially was elected in 1993 and amortized over 20 years. The University continues to recognize the cost of providing postretirement benefits for employees over the service period until their full retirement eligibility under the plan.

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, 2019 and 2018 consisted of the following:

<i>(dollars in thousands)</i>	2019	2018
Service cost	\$ 17,116	\$ 22,835
Interest cost	14,166	17,379
Gain/(loss) amortization	(7,709)	(5)
Total	\$ 23,573	\$ 40,209

The APBO at June 30, 2019 and 2018, consisted of actuarially determined obligations to the following categories of employees:

<i>(dollars in thousands)</i>	2019	2018
Retirees	\$ 136,152	\$ 110,964
Active employees eligible to retire	113,833	88,782
Other active participants	193,810	137,421
Total	\$ 443,795	\$ 337,167

As of June 30, 2019 and 2018, the APBO was unfunded.

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The assumptions used to calculate the APBO at June 30, 2019 and 2018 were as follows:

	2019	2018
Discount rate	3.50%	4.25%
Healthcare cost trend rate	6.00%	5.88%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year the rate reaches the ultimate trend rate	2027	2026
Prescription drug cost trend rate	7.50%	7.84%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year the rate reaches the ultimate trend rate	2027	2026

A one-percentage-point change in assumed health care trend rates would have the following effects on postretirement benefits:

<i>(dollars in thousands)</i>	1-Percentage point increase	1-Percentage point decrease
Effect on APBO	\$ 101,343	\$ (77,249)
Effect on total of service and interest cost	11,287	(8,190)

The table below reflects expected postretirement plan benefit payments over the next 10 years. 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 benefit service.

<i>(dollars in thousands)</i>	
2020	\$ 8,863
2021	9,780
2022	10,607
2023	10,987
2024	12,077
2025 – 2029	73,232

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, 2019 and 2018.

13. NET ASSETS

Net assets are categorized as without donor restrictions and with donor restrictions. Net assets without donor restrictions are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. This category also includes income and gains on these funds. Included in the total is the net investment in plant and equipment. Certain

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net assets classified as without donor restrictions for external reporting purposes are board-designated for specific purposes or uses under the internal operating budget practices of the University. Net assets with donor restrictions generally are 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. This category includes 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. Donor restrictions normally are released upon the passage of time or the incurrence of expenditures that fulfill the donor-specified purpose. Certain donor restrictions are perpetual in nature and may include gifts, pledges, trusts and remainder interests, and income and gains that are required to be permanently retained.

The composition of net assets by restriction and purpose at June 30, 2019 and 2018 was as follows:

2019

Net Assets <i>(dollars in millions)</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment:			
Teaching and research	\$ 1,278	\$ 5,552	\$ 6,830
Student financial aid	595	4,053	4,648
Department programs and support	2,717	3,596	6,313
Designated for operations	3,445	1,668	5,113
Designated for capital	2,592	-	2,592
Other:			
Pledges	-	306	306
Capital, unallocated gifts, and grants	-	281	281
Annuities and trusts	-	200	200
Net investment in plant	1,742	-	1,742
Operating	(149)	-	(149)
Noncontrolling interests	197	-	197
Total	\$ 12,417	\$ 15,656	\$ 28,073

2018

Net Assets <i>(dollars in millions)</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment:			
Teaching and research	\$ 1,274	\$ 5,496	\$ 6,770
Student financial aid	593	4,013	4,606
Department programs and support	2,684	3,528	6,212
Designated for operations	3,458	1,659	5,117
Designated for capital	2,612	-	2,612
Other:			
Pledges	-	273	273
Capital and unallocated gifts	-	149	149
Annuities and trusts	-	195	195
Net investment in plant	1,741	-	1,741
Operating	(480)	-	(480)
Noncontrolling interests	201	-	201
Total	\$ 12,083	\$ 15,313	\$ 27,396

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14. EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION

Expenses are presented by functional classification in alignment with the overall mission of the University. The University's primary service mission is academic instruction and research which includes direct supporting functions such as the University's library system and art museum. Student services and support include various student-supporting functions such as admission, health, career, and athletics, as well as auxiliary enterprises and related student aid. The Princeton Plasma Physics Laboratory, which is operated by the University on behalf of the U.S. Department of Energy, is classified as an independent operation.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Depreciation, plant operations, and maintenance expenses are allocated on a square footage basis. Interest expense on indebtedness is allocated to the functional categories that have benefited from the associated debt.

Expenses by functional and natural classification for the years ended June 30, 2019 and 2018 were as follows:

2019

Natural Classification (dollars in thousands)	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 462,423	\$ 63,775	\$ 175,620	\$ 52,712	\$ 754,530
Employee benefits	153,519	19,232	23,171	17,204	213,126
Supplies, services, and other	183,833	70,172	34,554	34,961	323,520
Space and occupancy	4,976	5,011	60,338	4,485	74,810
Student stipends and prizes	-	71,651	-	-	71,651
Allocations:					
Depreciation	135,255	33,069	9,538	70	177,932
Interest	67,639	16,536	40,957	-	125,132
Operations and maintenance	86,071	33,811	(119,882)	-	-
Total operating expenses	1,093,716	313,257	224,296	109,432	1,740,701
Net periodic benefit cost other than service cost	4,357	630	1,116	354	6,457
Total expenses	\$ 1,098,073	\$ 313,887	\$ 225,412	\$ 109,786	\$ 1,747,158

2018

Natural Classification (dollars in thousands)	Academic & Research	Student Services & Support	General Admin & Operations	Independent Operations	Total
Salaries and wages	\$ 441,362	\$ 61,183	\$ 171,107	\$ 55,871	\$ 729,523
Employee benefits	156,939	19,049	17,759	18,601	212,348
Supplies, services, and other	187,462	62,362	25,234	40,002	315,060
Space and occupancy	3,405	4,058	59,608	4,057	71,128
Student stipends and prizes	-	67,494	-	-	67,494
Allocations:					
Depreciation	131,979	32,357	9,331	10	173,677
Interest	74,469	18,206	56,242	-	148,917
Operations and maintenance	83,870	33,075	(116,945)	-	-
Total operating expenses	1,079,486	297,784	222,336	118,541	1,718,147
Net periodic benefit cost other than service cost	11,212	1,563	2,691	1,908	17,374
Total expenses	\$ 1,090,698	\$ 299,347	\$ 225,027	\$ 120,449	\$ 1,735,521

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Student Financial Aid

The University provides financial aid to undergraduate students in the form of scholarship grants designed to meet 100 percent of demonstrated financial need. All Ph.D. and many master's degree candidates in the Graduate School receive financial support for the duration of their degree program in the form of fellowships, assistantships in research or teaching, and non-University awards. Graduate student support covers the full cost of tuition and fees and a stipend that supports estimated living expenses. Students also may be awarded grants that support various academic or research activities. Undergraduate scholarships and graduate fellowships and assistantships are reported as discounts to tuition and fee revenues in the Consolidated Statements of Activities. Student stipends, awards, and prizes are reported as operating expenses. Student financial aid costs are funded by the University's endowment, Annual Giving, and other University resources.

Total student financial aid costs for the years ended June 30, 2019 and 2018 were as follows:

Student Financial Aid	2019	2018
<i>(dollars in thousands)</i>		
Scholarships and fellowships	\$ 284,644	\$ 260,958
Stipends and prizes	71,651	67,494
Total	\$ 356,295	\$ 328,452

15. COMMITMENTS AND CONTINGENCIES

At June 30, 2019, the University had authorized major renovation and capital construction projects for more than \$2,100.2 million. Of the total, approximately \$214.0 million had not yet been expended. Minimum operating lease commitments at June 30, 2019 for space and equipment were as follows:

<i>(dollars in thousands)</i>	Lease Payments
2020	\$ 11,571
2021	10,339
2022	9,048
2023	8,506
2024	8,097
Thereafter	8,464
Total	\$ 56,025

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 \$18.8 million at June 30, 2019.

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, consolidated statement of activities, or cash flows.

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16. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 26, 2019, which is the date the consolidated financial statements were issued, and determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

(unaudited)

The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education. In addition, COVID-19 has negatively impacted the financial markets and may materially affect the returns on and value of the University's investments. Other adverse consequences of COVID-19 in the future may include, but are not limited to, impacts to enrollment, room and board revenues, programs that involve travel or that have international connections and philanthropic donations. The full impact of COVID-19 and the scope of any adverse impact on the University's finances and operations cannot be fully determined at this time.

17. CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

The following tables present the consolidating statements of financial position of all legal entities of the Trustees of Princeton University as of June 30, 2019 and 2018:

As of June 30, 2019 <i>(dollars in thousands)</i>	Princeton University	Affiliates	Eliminations	Consolidated
Assets				
Cash	\$ 22,633	-	-	\$ 22,633
Accounts receivable	122,776	-	-	122,776
Receivables associated with investments	71,804	-	-	71,804
Educational and mortgage loans receivable	446,784	-	-	446,784
Contributions receivable	306,325	-	-	306,325
Inventory and deferred charges	19,805	-	-	19,805
Managed investments at market value	25,376,486	\$ 435,466	-	25,811,952
Funds held in trust by others	114,969	3,024	\$ (3,024)	114,969
Other investments	1,000,246	-	-	1,000,246
Property, net of accumulated depreciation	4,156,896	-	-	4,156,896
Total assets	31,638,724	438,490	(3,024)	32,074,190
Liabilities				
Accounts payable	42,796	-	-	42,796
Liabilities associated with investments	63,361	-	-	63,361
Deposits, advance receipts, and accrued liabilities	135,910	-	-	135,910
Deposits held in custody for others	141,541	-	(3,024)	138,517
Liability under planned giving agreements	79,658	-	-	79,658
Liability for annuity contracts	12,390	-	-	12,390
Indebtedness to third parties	3,027,186	-	-	3,027,186
Accrued postretirement benefits	501,426	-	-	501,426
Total liabilities	4,004,268	-	(3,024)	4,001,244
Net assets				
Total net assets without donor restrictions	12,027,445	389,514	-	12,416,959
Total net assets with donor restrictions	15,607,011	48,976	-	15,655,987
Total net assets	27,634,456	438,490	-	28,072,946
Total liabilities and net assets	\$ 31,638,724	\$ 438,490	\$ (3,024)	\$ 32,074,190

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As of June 30, 2018 <i>(dollars in thousands)</i>	Princeton			
	University	Affiliates	Eliminations	Consolidated
Assets				
Cash	\$ 23,230	-	-	\$ 23,230
Accounts receivable	87,710	-	-	87,710
Receivables associated with investments	30,526	-	-	30,526
Educational and mortgage loans receivable	437,313	-	-	437,313
Contributions receivable	273,598	-	-	273,598
Inventory and deferred charges	14,648	-	-	14,648
Managed investments at market value	25,296,823	\$ 349,350	-	25,646,173
Funds held in trust by others	113,070	3,023	\$ (3,023)	113,070
Other investments	814,483	-	-	814,483
Property, net of accumulated depreciation	4,141,300	-	-	4,141,300
Total assets	31,232,701	352,373	(3,023)	31,582,051
Liabilities				
Accounts payable	41,393	-	-	41,393
Liabilities associated with investments	37,457	-	-	37,457
Deposits, advance receipts, and accrued liabilities	167,661	-	-	167,661
Deposits held in custody for others	138,939	-	(3,023)	135,916
Liability under planned giving agreements	85,272	-	-	85,272
Liability for annuity contracts	9,470	-	-	9,470
Indebtedness to third parties	3,321,243	-	-	3,321,243
Accrued postretirement benefits	388,086	-	-	388,086
Total liabilities	4,189,521	-	(3,023)	4,186,498
Net assets				
Total net assets without donor restrictions	11,779,075	303,580	-	12,082,655
Total net assets with donor restrictions	15,264,105	48,793	-	15,312,898
Total net assets	27,043,180	352,373	-	27,395,553
Total liabilities and net assets	\$ 31,232,701	\$ 352,373	\$ (3,023)	\$ 31,582,051

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Definitions

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

“*Additional Bonds*” means Bonds issued under the Indenture subsequent to the issuance of the Series 2020 Bonds, which as designated by the Institution may be consolidated with the Series 2020 Bonds or which are not so consolidated but are issued as a separate series, in either case pursuant to the Indenture.

“*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 Series 2020 Bonds, including any Additional Bonds consolidated with the Series 2020 Bonds, and any Additional Bonds constituting a separate series issued under 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, with respect to the Series 2020 Bonds, January 1 and July 1 of each year, commencing January 1, 2021.

“*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, with respect to the Series 2020 Bonds, the greater of (1) 100% of the principal amount of a Series 2020 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 Series 2020 Bond, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2020 Bond is to be redeemed, discounted to the date on which such Series 2020 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 fifteen (15) basis points plus accrued and unpaid interest on such Series 2020 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 June 8, 2020, relating to the Series 2020 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, with respect to the Series 2020 Bonds, January 1, 2050.

“*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, 2050, the date of final maturity of the Series 2020 Bonds.

“*Project*” means general corporate purposes, including without limitation financing and refinancing capital expenditures, and costs of issuance of the Series 2020 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, unless otherwise provided in a Supplemental Indenture for Additional Bonds that are not consolidated with the Series 2020 Bonds.

“*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.

“*Series 2020 Bonds*” means The Trustees of Princeton University Taxable Bonds, 2020 Series A authorized by, and at any time Outstanding pursuant to, the Indenture, including any Additional Bonds that are consolidated with the Series 2020 Bonds, dated their date of delivery and issued under the Indenture.

“*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, including any supplement pursuant to which Additional Bonds are to be issued.

“*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.

“*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 Series 2020 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 Series 2020 Bonds. The proceeds of any Additional Bonds shall be applied in accordance with the Supplemental Indenture authorizing the issuance thereof.

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 Series 2020 Bonds are redeemable prior to maturity at the written direction of the Institution to the Trustee at least thirty-five (35) days before the redemption date. Such redemption shall be in accordance with the terms of the Series 2020 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 Series 2020 Bonds.

Optional Redemption at Par. The Series 2020 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 Series 2020 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 Series 2020 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 Series 2020 Bonds being redeemed plus accrued interest to the redemption date and without premium:

<u>July 1</u>	<u>Amount</u>
2046	\$ 76,165,000
2047	54,980,000
2048	68,540,000
2049	148,215,000
2050*	152,100,000

* Maturity Date.

Redemption of Additional Bonds. Additional Bonds shall be subject to such redemption provisions as are set forth in the Supplemental Indenture authorizing the issuance thereof.

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 thirty-five (35) 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 twenty (20) 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 Series 2020 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 Series 2020 Bond in the principal amount of the Series 2020 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.

Additional Bonds

One or more series of Additional Bonds may be authenticated and delivered by the Trustee upon original issuance from time to time pursuant to the Indenture for any corporate purpose of the Institution. Additional Bonds shall be authorized by a Supplemental Indenture, and the proceeds of any Additional Bonds shall be applied as provided in the Supplemental Indenture authorizing such Additional Bonds and such Supplemental Indenture shall set forth the terms and conditions for such Additional Bonds. The Additional Bonds so authorized shall from time to time and in such amounts as directed by the Institution be authenticated by the Trustee and by it delivered to or upon the order of the Institution upon receipt of the consideration therefor. Any Additional Bonds shall, at the option of the Institution, be consolidated with one or more maturities of the Series 2020 Bonds and, if so consolidated, shall be treated as a single series of such Series 2020 Bonds for all purposes of the Indenture. Each Supplemental Indenture authorizing the issuance of Additional Bonds shall specify the following:

- (A) The authorized principal amount of Additional Bonds to be issued;
- (B) The purpose for which the Additional Bonds are to be issued;
- (C) To the extent such Additional Bonds are consolidated, at the election and direction of the Institution, with one or more maturities of the Series 2020 Bonds, the specific maturity to be consolidated, and the first interest payment date for the Additional Bonds, which shall be on a Interest Payment Date for the Series 2020 Bonds;
- (D) For Additional Bonds which are not consolidated, at the election and direction of the Institution, with the Series 2020 Bonds, the Interest Payment Dates and Principal Payment Date (including the first Interest Payment Date and Principal Payment Date), the interest rates, the maturity dates, and any redemption provisions, for the Additional Bonds;
- (E) Directions for the applications of the proceeds of the Additional Bonds; and
- (F) Such other provisions as the Institution deems advisable.

Limitations on Consolidated Bonds

The Institution covenants and agrees that:

(A) Additional Bonds that are consolidated with one or more maturities of the Series 2020 Bonds shall constitute a part of such maturity of such Series 2020 Bonds;

(B) Additional Bonds that are consolidated with one or more maturities of the Series 2020 Bonds shall mature on the same date as such maturity of such Series 2020 Bonds, shall bear interest at the same rate per annum as such maturity of such Series 2020 Bonds, and shall be subject to redemption at the same times, in the same manner, and at the same Redemption Price as such maturity of such Series 2020 Bonds;

(C) Each Additional Bond to be consolidated with one or more maturities of the Series 2020 Bonds shall have the same minimum denominations; and

(D) As a condition to the issuance of such Additional Bonds to be consolidated with the one or more maturities of Series 2020 Bonds, there shall be delivered to the Trustee a certificate of the Institution, certifying that, after consultation with counsel experienced in federal securities laws, the issuance and consolidation of such Additional Bonds will not cause the Outstanding Series 2020 Bonds to be required to be registered under the Securities Act of 1933, as amended, or cause the Indenture to be required to be qualified under the Trust Indenture Act of 1939, as amended.

The limitations and conditions set forth in paragraphs (A), (B), (C) and (D) above shall not apply to any Additional Bonds issued under the Indenture that will not be consolidated with any maturity of the Series 2020 Bonds.

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); (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 or (5) to authorize the issuance of Additional Bonds pursuant to a Supplemental 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.

APPENDIX D

PROPOSED FORM OF OPINION OF COUNSEL TO THE INSTITUTION

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[Form of Opinion of Counsel to the Institution]

June 15, 2020

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

J.P. Morgan Securities LLC, as Representative
383 Madison Avenue, 3rd Floor
New York, NY 10179

Re: \$500,000,000 The Trustees of Princeton University Taxable Bonds, 2020 Series A

Ladies and Gentlemen:

We have acted as counsel to The Trustees of Princeton University (the “Institution”) in connection with the issuance of \$500,000,000 aggregate principal amount of its Taxable Bonds, 2020 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 June 1, 2020 (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 paying the 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,

APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

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APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

Clearing Systems

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name.

The information in this section concerning DTC, Euroclear Bank SA/NV as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A., Luxembourg ("Clearstream Banking") (DTC, Euroclear and Clearstream Banking together, the "Clearing Systems"), and DTC's book-entry-only system has been provided by DTC, Euroclear and Clearstream Banking for use in disclosure documents such as this Offering Memorandum. DTC will act as the initial securities depository for the Bonds. Euroclear and Clearstream Banking are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and the Institution and the Underwriters expressly disclaim any responsibility to update this Offering Memorandum to reflect any such changes. The information herein concerning the Clearing Systems has been obtained from sources that the Institution believes to be reliable, but neither the Institution nor the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. 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 and the Underwriters 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.

The Institution cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to participants of the Clearing Systems ("Participants") (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC or the other Clearing Systems will serve and act in the manner described in this Offering Memorandum. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants (hereinafter defined) are on file with DTC.

DTC Book-Entry-Only System

Clearing Systems

DTC will act initially 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 certificate will be issued for the Bonds, in the aggregate principal amount of the Bonds, 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, as amended. 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 of 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”). 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 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 beneficial 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 beneficial ownership interests in 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 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, does not affect 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed, unless other arrangements are made between the Institution and DTC.

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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the Institution, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal, redemption proceeds 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, or its successors, may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Institution or the Trustee. Under such circumstances, the Institution may appoint a substitute Securities Depository, provided it is qualified under any applicable laws to provide such services. In the event that neither a successor nor substitute Securities Depository is obtained, Bond certificates are required to be printed and delivered.

The Institution may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities Depository). Under such circumstances, the Institution may appoint a substitute Securities Depository, provided it is qualified under any applicable laws to provide such services. In the event that a substitute Securities Depository is not obtained, Bond certificates are required to be printed and delivered.

In reading this Offering Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Offering Memorandum to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Trust Indenture will be given only to DTC.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking have advised the Institution as follows:

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

Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, 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. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. 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 DTC 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 uncertified 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 thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC 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). DTC 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. DTC 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 shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Special Timing Considerations

Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

Clearing Information

The Institution and the Underwriters expect that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream Banking. The international securities identification number, common code and/or CUSIP number for the Bonds are set out on the cover page of this Offering Memorandum.

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, the Underwriters 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.

Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Institution and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in this Offering Memorandum to registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Institution or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

The Institution will have no responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any Beneficial Ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any notice with respect to any Bonds including, without limitation, any notice of redemption with respect to any Bonds;
- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any amount with respect to the principal of, premium, if any, or interest on, any Bonds; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book entry only system hereinabove described, the Institution and the Trustee may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Bonds;
- giving notices of redemption and other matters with respect to the Bonds;
- registering transfers with respect to the Bonds; and
- the selection of Bonds for redemption.

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