NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: (See "Ratings" herein.)
Moody's: Aa1
S&P: AA+
Fitch: AA+

NORTHWESTERN UNIVERSITY

$300,000,000
NORTHWESTERN UNIVERSITY
TAXABLE FIXED RATE BONDS, SERIES 2020

Interest Payable: June 1 and December 1 **Dated: Date of Delivery**

The Taxable Fixed Rate Bonds, Series 2020 (the "*Bonds*") of Northwestern University (the "*University*") are being issued pursuant to a Trust Indenture (the "Indenture"), dated as of May 1, 2020, between the University and Wells Fargo Bank, National Association, as trustee, paying agent and registrar (the "*Trustee*"). Proceeds from the sale of the Bonds are expected to be used by the University, together with certain of the University's own funds, to (i) refinance on a long-term basis amounts outstanding under the University's commercial paper program and (ii) pay certain expenses incurred in connection with the issuance of the Bonds, all as more fully described herein.

The Bonds are issuable in fully registered form and in denominations (i) with respect to Bonds sold outside of Korea, $1,000 and integral multiples thereof and (ii) with respect to Bonds sold in Korea, $1,000,000 and integral multiples thereof. The Bonds, when issued, will be issued in book-entry-only form and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("*DTC*"). Purchasers of beneficial interests ("*Beneficial Owners*") will not receive certificates representing their interests in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the Bonds. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing on December 1, 2020. Payments of the principal of, and interest on, the Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the sole registered owner. Disbursement of such payments to DTC's Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Direct Participants and the Indirect Participants, as more fully described herein. See "CLEARING SYSTEMS."

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

The Bonds are, in certain circumstances, subject to optional redemption at par, make-whole optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS—Redemption" herein.

Certain risks are inherent in the purchase of the Bonds. See the information herein under the caption "CERTAIN INVESTMENT CONSIDERATIONS" for a discussion of certain of these risks.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Bonds, or determined that this Offering Circular 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 without such registration in reliance on the exemption contained in Section 3(a)(4) of the Securities Act. The Bonds are not exempt from registration in every state in the United States; some states' securities laws may require a filing and a fee to secure the Bonds' exemption from registration.

The Bonds constitute unsecured general obligations of the University. The University has other unsecured general obligations outstanding. See Appendix A – "NORTHWESTERN UNIVERSITY" and Appendix B – "NORTHWESTERN UNIVERSITY 2019 FINANCIAL REPORT, INCLUDING AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018." Moreover, the University 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 AND SOURCES OF PAYMENT FOR THE BONDS."

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, PRICE AND CUSIP NUMBER

$300,000,000 2.640% TERM BOND DUE DECEMBER 1, 2050 PRICE: 100%, CUSIP®+: 668444AS1

This cover page contains certain information for quick reference only. It is not intended to include all matters relevant to an investment in the Bonds. Investors must read the entire Offering Circular 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 University and accepted by the Underwriters, subject to prior sale and to withdrawal or modification of the offer without notice. Certain legal matters will be passed upon for the University by its General Counsel and by its special counsel, Schiff Hardin LLP, Chicago, Illinois, and for the Underwriters by their counsel, Chapman and Cutler LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery in New York, New York, through the facilities of DTC on or about May 28, 2020.

Goldman Sachs & Co. LLC **J.P. Morgan** **Morgan Stanley**

Barclays **Loop Capital Markets**

Dated: May 20, 2020

+ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by CUSIP Global Services, which is managed by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers are provided for convenience of reference only. Neither the University nor the Underwriters assumes any responsibility for the accuracy of such numbers.

REGARDING USE OF THIS OFFERING CIRCULAR

This Offering Circular does not constitute an offering of any security other than the original offering of the Bonds identified on the cover. No dealer, broker, salesperson or other person has been authorized by the University or the Underwriters to give any information or to make any representation with respect to the Bonds other than as contained in this Offering Circular. Any other information or representation should not be relied upon as having been given or authorized by the University or the Underwriters. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Offering Circular nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or Beneficial Owners of the Bonds.

The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Neither the University nor the Underwriters represent that this Offering Circular may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. To be clear, action may be required to secure exemptions from the state "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 Circular 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.

The information set forth in this Offering Circular has been obtained from the University, DTC and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Offering Circular. The Underwriters have reviewed the information in this Offering Circular in accordance with, and as part of, their respective responsibilities 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. Statements contained in this Offering Circular which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and estimates, forecasts and matters of opinion in this Offering Circular are subject to change without notice. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the University or DTC since the date of this Offering Circular.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT CERTAIN TRANSACTIONS THAT STABILIZE THE PRICE OF THE BONDS. SUCH TRANSACTIONS MAY CONSIST OF BIDS OR PURCHASES FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE BONDS. IN ADDITION, IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT (THAT IS, SELL MORE THAN THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS SET FORTH ON THE COVER PAGE OF THIS OFFERING CIRCULAR) AND THEREBY CREATE A SHORT POSITION IN SUCH BONDS. THE UNDERWRITERS MAY REDUCE THAT SHORT POSITION BY PURCHASING BONDS IN THE OPEN MARKET. IN GENERAL, PURCHASES OF A SECURITY FOR THE PURPOSE OF STABILIZATION OR TO REDUCE A SHORT POSITION COULD CAUSE THE PRICE OF A SECURITY TO BE HIGHER THAN IT MIGHT OTHERWISE BE IN THE ABSENCE OF SUCH PURCHASES. THE UNDERWRITERS MAKE NO REPRESENTATION OR PREDICTION AS TO THE DIRECTION OR THE MAGNITUDE OF ANY EFFECT THAT THE TRANSACTIONS DESCRIBED ABOVE MAY HAVE ON THE PRICE OF THE BONDS. IN ADDITION, THE UNDERWRITERS MAKE NO REPRESENTATION THAT THEY WILL ENGAGE IN SUCH TRANSACTIONS OR THAT SUCH TRANSACTIONS, IF COMMENCED, WILL NOT BE DISCONTINUED, AT ANY TIME, WITHOUT NOTICE.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE EXEMPTIONS FROM REGISTRATION AND FROM QUALIFICATION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF FEDERAL OR STATE SECURITIES LAWS, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION OF THE BONDS. NO STATE NOR ANY AGENCY THEREOF HAS PASSED UPON THE MERITS OF THE BONDS OR ANY RELATED SECURITY OR THE ACCURACY OR COMPLETENESS OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

In making an investment decision, investors must rely on their own examination of the University and the terms of the offering, including the merits and risks involved. Prospective investors should not construe the contents of this Offering Circular as legal, tax or investment advice.

Any references to internet websites in this Offering Circular are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites and any links contained within those websites are not incorporated herein by reference and do not constitute part of this Offering Circular.

The CUSIP® numbers included in this Offering Circular are for the convenience of the owners and the potential owners of the Bonds. No assurance can be given that the CUSIP® numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFERING CIRCULAR

Certain statements included in this Offering Circular 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 United States *Securities Act of 1933*, as amended. Such statements are generally identifiable by the terminology used such as "believe," "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements may include but are not limited to certain statements contained in the forepart of this Offering Circular (including under the captions, among others, entitled "SUMMARY OF CERTAIN TERMS OF THE BONDS," "PLAN OF FINANCE; ESTIMATED SOURCES AND USES OF FUNDS," "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "CERTAIN INVESTMENT CONSIDERATIONS," "CERTAIN TAX CONSIDERATIONS," "CERTAIN ERISA CONSIDERATIONS" and "ABSENCE OF LITIGATION") and certain statements contained in APPENDIX A entitled "NORTHWESTERN UNIVERSITY" (including under the captions, among others, entitled "FINANCIAL AID," "FEDERAL FUNDING," "EMPLOYEE RELATIONS," "OUTSTANDING LONG-TERM INDEBTEDNESS – Self-Liquidity for Variable Rate Bonds," "FUTURE LONG TERM INDEBTEDNESS" and "LITIGATION") and in APPENDIX B entitled "NORTHWESTERN UNIVERSITY 2019 FINANCIAL REPORT, INCLUDING AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE UNIVERSITY DOES NOT PLAN TO ISSUE ANY PUBLIC 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.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE "ISSUER" MEAN NORTHWESTERN UNIVERSITY AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $1,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES OTHER THAN IN KOREA, THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $1,000 PRINCIPAL AMOUNT) AND THE MINIMUM PURCHASE AND TRADING AMOUNT IS 150 UNITS (BEING 150 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000). FOR ANY SALES MADE IN KOREA, THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $1,000,000 PRINCIPAL AMOUNT) AND THERE IS NO MINIMUM PURCHASE OR TRADING AMOUNT.

REFERENCES TO THE EUROPEAN ECONOMIC AREA ("EEA")

REFERENCES IN THIS OFFERING CIRCULAR TO THE "EUROPEAN ECONOMIC AREA" AND THE "EEA" INCLUDE THE UNITED KINGDOM, AND REFERENCES TO "MEMBER STATE" SHALL BE INTERPRETED ACCORDINGLY.

NOTICE TO PROSPECTIVE INVESTORS IN THE EEA

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. 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 HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFERING CIRCULAR 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 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 SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA 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 CIRCULAR.

THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFERING CIRCULAR IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT MEMBER STATE, OTHER THAN: (A) TO "QUALIFIED INVESTORS" 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 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 SECURITIES IN THE OFFERING LOCATED WITHIN A MEMBER STATE 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 CIRCULAR 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 CIRCULAR 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 FSMA (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE *"FINANCIAL PROMOTION ORDER"*), (III) ARE HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE OTHER PERSONS TO WHOM THIS OFFERING CIRCULAR MAY OTHERWISE BE LAWFULLY MADE TO OR DIRECTED AT, PROVIDED THAT SUCH PERSONS ARE ALSO QUALIFIED INVESTORS AS DEFINED IN SECTION 86 OF THE FSMA (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS *"RELEVANT PERSONS"*). THIS OFFERING CIRCULAR IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE ISSUER. THIS OFFERING CIRCULAR AND ITS CONTENTS ARE CONFIDENTIAL AND SHOULD NOT BE DISTRIBUTED, PUBLISHED OR REPRODUCED (IN WHOLE OR IN PART) OR DISCLOSED BY RECIPIENTS TO ANY OTHER PERSONS IN THE UNITED KINGDOM. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING CIRCULAR 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 CIRCULAR OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

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

THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED BY THE REGISTRAR OF COMPANIES IN HONG KONG PURSUANT TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32) OF THE LAWS OF HONG KONG (*"CWMO"*).

ACCORDINGLY: (I) THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN TO PERSONS WHO ARE "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571) OF THE LAWS OF HONG KONG (*"SFO"*) AND ANY RULES MADE UNDER THE SFO, OR IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN SECTION 2(1) OF THE CWMO OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE CWMO OR AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE SFO; AND (II) THIS OFFERING CIRCULAR MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG OTHER THAN (1) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO, (2) TO PERSONS AND IN CIRCUMSTANCES WHICH DO NOT RESULT IN THIS OFFERING CIRCULAR BEING A "PROSPECTUS" AS DEFINED IN SECTION 2(1) OF THE CWMO OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE CWMO OR AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE SFO OR (3) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISIONS OF THE SFO AND CWMO.

NOTICE TO INVESTORS IN CANADA

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

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

PURSUANT TO SECTION 3A.3 OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS (NI 33-105), THE UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE

DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

NOTICE TO INVESTORS IN KOREA

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

NOTICE TO INVESTORS IN SINGAPORE

THIS OFFERING CIRCULAR HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFERING CIRCULAR AND ANY OTHER DOCUMENT OR MATERIAL USED IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR AS DEFINED IN THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) (THE *"SFA"*)) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1), OR ANY OTHER PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275, OF THE SFA; OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON THAT IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES OR SECURITIES-BASED DERIVATIVES CONTRACTS (EACH AS DEFINED IN THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON AS DEFINED IN THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW;

(4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR

(5) AS SPECIFIED IN REGULATION 37A OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SECURITIES AND SECURITIES-BASED DERIVATIVES CONTRACTS) REGULATIONS 2018 OF SINGAPORE.

IN CONNECTION WITH SECTION 309B OF THE SFA AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE *"CMP REGULATIONS 2018"*), ALL RELEVANT PERSONS (AS DEFINED IN SECTION 309A(1) OF THE SFA) ARE HEREBY NOTIFIED THAT THE BONDS ARE 'PRESCRIBED CAPITAL MARKETS PRODUCTS' (AS DEFINED IN THE CMP REGULATIONS 2018) AND ARE EXCLUDED INVESTMENT PRODUCTS (AS DEFINED IN MAS NOTICE SFA 04-N12: NOTICE ON THE SALE OF INVESTMENT PRODUCTS AND MAS NOTICE FAA-N16: NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS).

NOTICE TO INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (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.

SUMMARY OF CERTAIN TERMS OF THE BONDS

This summary page contains certain information for quick reference only. It is not intended to include all matters relevant to an investment in the Bonds. Investors must read the entire Offering Circular to obtain information essential to an informed investment decision.

Issuer	Northwestern University
Securities Offered	$300,000,000 Taxable Fixed Rate Bonds, Series 2020 due as shown on the front cover hereof
Interest Accrual Dates	Interest will accrue from the Date of Issuance
Interest Payment Dates	June 1 and December 1 of each year, commencing December 1, 2020
Redemption	The Bonds are, in certain circumstances, subject to optional redemption at par, make-whole optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS—Redemption" herein.
Date of Issuance	May 28, 2020
Authorized Denominations	(i) with respect to Bonds sold outside of Korea, $1,000 and integral multiples thereof and (ii) with respect to Bonds sold in Korea, $1,000,000 and integral multiples thereof.
Form and Depository	The Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC.
Use of Proceeds	Proceeds from the sale of the Bonds are expected to be used by the University, together with certain of the University's own funds, to (i) refinance on a long-term basis amounts outstanding under the University's commercial paper program and (ii) pay certain expenses incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCE; ESTIMATED SOURCES AND USES OF FUNDS" herein.
Ratings	Moody's: Aa1 (outlook stable) S&P: AA+ (outlook stable) Fitch: AA+ (outlook stable)

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

$300,000,000
NORTHWESTERN UNIVERSITY
TAXABLE FIXED RATE BONDS,
SERIES 2020

INTRODUCTION

PURPOSE OF THIS OFFERING CIRCULAR

The purpose of this Offering Circular, which includes the cover page and appendices, is to set forth certain information concerning the sale and delivery by Northwestern University (the *"University"*) of its $300,000,000 aggregate principal amount of Northwestern University Taxable Fixed Rate Bonds, Series 2020 (the *"Bonds"*).

Certain capitalized terms used in the forepart of this Offering Circular and not otherwise defined herein are defined in APPENDIX C attached hereto.

THE BONDS

The Bonds will be issued in accordance with the provisions of a Trust Indenture, dated as of May 1, 2020 (the *"Indenture"*), between the University and Wells Fargo Bank, National Association, as trustee, paying agent and registrar (the *"Trustee"*). The proceeds from the sale of the Bonds are expected to be used by the University, together with certain of the University's own funds, together with certain of the University's own funds, to (i) refinance on a long-term basis amounts outstanding under the University's commercial paper program and (ii) pay certain expenses incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCE; ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds will mature as shown on the front cover page hereof. As described herein, interest on the Bonds will be payable on June 1 and December 1 of each year, commencing on December 1, 2020.

The Bonds will be, in certain circumstances, subject to optional redemption at par, make-whole optional redemption and mandatory sinking fund redemption prior to maturity. See "THE BONDS—Redemption."

Certain risks are inherent in the purchase of the Bonds. See the information herein under the caption "CERTAIN INVESTMENT CONSIDERATIONS" for a discussion of certain of these risks.

SECURITY FOR THE BONDS

The Bonds are unsecured general obligations of the University. The Bonds are not secured by a reserve fund, or by a mortgage lien on, or security interest in, any property of the University, except for funds held from time to time by the Trustee for the benefit of the holders of the Bonds under the Indenture. In addition, the Indenture does not contain any financial covenants limiting the ability of the University to incur indebtedness, to encumber or dispose of its property or to merge with any other entity, or any other similar financial covenants. The University may incur indebtedness that is secured or unsecured and indebtedness that is entitled to payment prior to payment on the Bonds. For a description of certain of the covenants of the University contained in the Indenture, see APPENDIX C hereto.

CLEARING SYSTEMS

The Bonds will be initially issued through a book-entry-only system maintained by The Depository Trust Company, New York New York (*"DTC"*). The Bonds will be initially registered in the name of Cede & Co., as DTC's nominee. See "CLEARING SYSTEMS."

SUMMARIES

Descriptions of the University, the Bonds, and summaries of certain provisions of the Indenture are included in this Offering Circular. Such information, summaries and descriptions do not purport to be comprehensive or definitive. All references in this Offering Circular to specified documents are qualified in their entirety by reference to each such document, copies of which are available from the Trustee, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the aforesaid documents. The information in this Offering Circular concerning the University has been supplied by the University.

NORTHWESTERN UNIVERSITY

The University is a private, coeducational, nonsectarian institution of higher education created by special act of the General Assembly of the State of Illinois in 1851, as subsequently amended. The University is one of the nation's largest independent universities, with a total enrollment of 17,031 full-time students for the 2019 fall quarter.

Audited consolidated financial statements of the University as of and for the years ended August 31, 2019 and 2018 are included in APPENDIX B hereto. KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the consolidated financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Offering Circular.

For further information relating to the University, see APPENDIX A to this Offering Circular. The 2019 Financial Report of the University, including audited consolidated financial statements of the University as of and for the years ended August 31, 2019 and 2018, is included in APPENDIX B hereto.

PLAN OF FINANCE; ESTIMATED SOURCES AND USES OF FUNDS

PLAN OF FINANCE

The proceeds from the sale of the Bonds are expected to be used by the University, together with certain of the University's own funds, to (i) refinance on a long-term basis amounts outstanding under the University's commercial paper program and (ii) pay certain expenses incurred in connection with the issuance of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of funds related to the Bonds:

Estimated Sources of Funds

Principal Amount of Bonds	$300,000,000.00
Equity Contribution	1,494,407.75
Total Sources of Funds	$301,494,407.75

Estimated Uses of Funds

Refinance Commercial Paper Notes[1]	$300,000,000.00
Costs of Issuance[2]	1,494,407.75
Total Uses of Funds	$301,494,407.75

(1) Represents principal only. The University will pay accrued interest owed to holders of the Commercial Paper Notes.
(2) Includes underwriting discount, legal, accounting, rating agency, financial advisory, administrative and miscellaneous fees and expenses.

THE BONDS

GENERAL

The Bonds will be issued as fully registered bonds without coupons in denominations (i) with respect to Bonds sold outside of Korea, $1,000 and integral multiples thereof and (ii) with respect to Bonds sold in Korea, $1,000,000 and integral multiples thereof (*"Authorized Denominations"*). The Bonds will mature, subject to earlier optional redemption at par, make-whole optional redemption or mandatory redemption sinking fund as described herein, as shown on the front cover page hereof. The Bonds will be initially dated as of the date of issuance thereof.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of, Redemption Price (as defined in APPENDIX C hereto) of, and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee. See "CLEARING SYSTEMS."

Interest on the Bonds will be payable on June 1 and December 1 (each, an *"Interest Payment Date"*) of each year, commencing on December 1, 2020, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The principal of, Redemption Price of, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment of the Bonds, is legal tender for the payment of public and private debts, and such principal and Redemption Price shall be payable at the designated corporate trust office of the Trustee in Chicago, Illinois (the *"Designated Office"*), or its successor as Trustee, if any, upon presentation and surrender of Bonds. Interest on the Bonds shall be paid by check mailed on the applicable Interest Payment Date to the person or persons appearing on the Bond Register as the registered owner or registered owners of the Bonds as of the close of business of the Trustee on the fifteenth day of the month immediately preceding each Interest Payment Date (the *"Record Date"*) at the address of such owner as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such owner not later than the Record Date. Payment of principal or the Redemption Price on any Bond shall be made to any registered owner of $1,000,000 or more in aggregate principal amount of Bonds by wire transfer to such owner on the principal payment date or redemption date, as applicable, upon written notice to the Trustee from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, if such written notice is received not later than the Business Day next preceding the 15th day prior to the principal payment date or redemption date applicable to such Bonds; *provided,* that such wire transfer shall only be made upon presentation and surrender of such Bonds at the Designated Office of the Trustee on the principal payment date or redemption date, as applicable, and upon compliance with the reasonable requirements of the Trustee. Payment of interest on any Bond shall be made to any registered owner of $1,000,000 or more in aggregate principal amount of Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such owner on such Interest Payment Date upon written notice to the Trustee from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, if such written notice is received not later than the Business Day next preceding the Record Date.

REDEMPTION

Optional Redemption at Par. On or after the applicable Par Call Date (as defined in the next sentence of this paragraph), the Bonds will be subject to optional redemption prior to maturity, in whole or in part, at the direction of the University (and, if in part, in Authorized Denominations and on a pro rata basis, subject to the provisions described below under "Selection of Bonds to be Redeemed"), on any Business Day, at 100% of the principal amount of the Bonds to be redeemed plus accrued interest on such Bonds to the redemption date and without premium. *"Par Call Date"* means June 1, 2050 (six months prior to the Maturity Date).

Optional Redemption at Make-Whole Redemption Price. The Bonds are subject to optional redemption at the direction of the University 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 to be Redeemed") on any Business Day at the Make-Whole Redemption Price (provided that, on or after the Par Call Date for such Bonds as described above, such Bonds shall be subject to redemption at 100% of the principal amount of the Bonds to be redeemed plus accrued interest on such Bonds to the redemption date and without premium). The University 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 University may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and determination of, the Make-Whole Redemption Price, and neither the Trustee nor the University 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 University and the owners of the Bonds. For purposes of this paragraph,

> *"Make-Whole Redemption Price"* means the greater of (i) 100% of the principal amount of the Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the Maturity Date (not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed), discounted to the date on which such Bonds are to be redeemed on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the adjusted Treasury Rate plus twenty (20) basis points, plus, in each case, accrued and unpaid interest on such Bonds to, but excluding, the redemption date.
>
> *"Treasury Rate"* means the rate per annum equal to the semiannual equivalent yield to maturity 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 as having an actual or

interpolated maturity comparable to the remaining term of the Bonds to be redeemed that would be used, 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 for the Bonds, 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 University.

"Primary Treasury Dealer" means one or more entities appointed by the University, which, in each case, is a primary U.S. Government securities dealer in the City of New York, New York, and its or their respective 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 ask 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.

"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.

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 (or the following Business Day if such date is not a Business Day) 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 set forth below and without premium:

DECEMBER 1	AMOUNT ($)
2049	150,000,000
2050†	150,000,000

† Maturity date

Selection of Bonds to be Redeemed. For so long as the Bonds are registered in book-entry-only form in the name of Cede & Co. or other nominee of DTC, if fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC's rules and procedures; *provided, however,* that so long as the Bonds are held in book-entry-form in the name of Cede & Co. or other nominee of DTC, such selection of the Bonds shall be made in accordance with the operational arrangements of DTC as then in effect and, if the DTC operational arrangements then in effect do not allow for redemption of the Bonds on a pro rata pass-through distribution of principal basis, all Bonds to be redeemed will be selected for redemption in accordance with DTC's then existing procedures. See "CLEARING SYSTEMS" below.

If the Bonds are not registered in book-entry only form and if fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by the Trustee on a pro rata basis, subject to rounding for minimum Authorized Denominations.

Credits. The University shall receive a credit against its obligation to have amounts on deposit with the Trustee in respect of the Bonds required to be paid on any mandatory sinking fund redemption date or on the Maturity Date on which moneys on deposit with the Trustee are required to be applied to the payment of the Bonds (i) to the extent that the University delivers to the Trustee for cancellation on or prior to any such date one or more Bonds or (ii) to the extent Bonds are optionally redeemed as described above. Any partial optional redemption of the Bonds shall be credited against the obligation of the University to have such amounts as are required to be on deposit with the Trustee corresponding to the Bonds so optionally redeemed and, with respect to any mandatory sinking fund redemption requirements, shall be allocated against such mandatory sinking fund requirements on the Bonds as nearly as practicable *pro rata,* taking Authorized Denominations into consideration.

Notice of Redemption. Except as provided below, notice of the call for any redemption shall be given by mailing a copy of the redemption notice by first class mail, postage prepaid, not less than 30 days and not more than 45 days prior to the date fixed for redemption to the registered owners of Bonds (or portion thereof) to be redeemed at their addresses as shown on the Bond Register as further described in the Indenture; *provided, however,* that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds (or portions thereof) as to which proper notice was given. If notice is properly given, failure of an owner of a Bond to receive such notice will not invalidate, limit or delay the effect of the notice or redemption action described in the notice.

Prior to the date that any notice of any optional redemption is first given, as a condition precedent to the delivery of such notice, either (i) the University must deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed pursuant to such notice, or (ii) such notice must state that such redemption is conditional upon such funds being deposited with the Trustee on or prior to such redemption date and that if such funds are not deposited, the unavailability of funds for redemption will not constitute an event of default under the Indenture and such Bonds will remain Outstanding under the Indenture.

In lieu of the foregoing official notice, as long as the Bonds are held in book entry form, notice may be given as provided in the Blanket Letter of Representations from the University to DTC, and the giving of such notice shall constitute a waiver by DTC and the book entry owner, as owner, of the foregoing notice. After giving proper notification of redemption to the Trustee, the University will not be liable for any failure to give, or any defect in, notice.

Upon the occurrence of the above conditions, and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Bonds to be redeemed and to pay interest due thereon and the optional Redemption Price or the mandatory sinking fund Redemption Price, as the case may be, the Bonds (or portions thereof) thus called shall cease bearing interest on the redemption date, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture.

TRANSFER AND EXCHANGE

The Bonds may be transferred upon surrender of the Bonds at the Designated Office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or such owner's duly authorized attorney.

Subject to the limitations set forth in the next two sentences, Bonds may be exchanged at such times at such Designated Office of the Trustee upon surrender of such Bonds together with an assignment duly executed by their registered owner or such owner's attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of Bonds of like date and tenor of any Authorized Denomination as the Bonds surrendered for exchange bearing numbers not contemporaneously outstanding. The Trustee is not required to transfer or exchange any Bond after the mailing of notice calling such Bond for redemption has been made as provided in the Indenture, nor during the period of 15 days next preceding the giving of such notice of redemption. The Trustee is not required to exchange or register the transfer of such Bond selected, called or being called for redemption in whole or in part or after the mailing of notice calling such Bond for redemption has been made as provided in the Indenture.

The University, the Trustee and any Paying Agent may treat the registered owner of any Bond as the absolute owner of such Bond for all purposes, and will not be bound by any notice to the contrary. All payments of or on account of the principal of and Redemption Price of, and interest on any such Bond as provided in the Indenture may be made only to or upon the written order of the registered owner of such Bond or such owner's legal representative, but such registration may be changed as provided in the Indenture. All such payments will be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

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.

General. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of The Depository Trust Company (*"DTC"*) New York, New York, Euroclear Bank S.A./N.V. as operator of the Euroclear System (*"Euroclear"*) or Clearstream Banking, S.A. ("*Clearstream Banking"*) (DTC, Euroclear and Clearstream Banking together, the *"Clearing Systems"*) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the University believes to be reliable, but none of the University, the Trustee or the Underwriters take any responsibility for the accuracy, completeness or adequacy of the information in this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The University 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.

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

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

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

Neither the University, the Trustee nor the Underwriters 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 below.

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

DTC Book-Entry-Only System. DTC will act initially as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of the DTC book-entry-only system, as described below.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, 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 for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (*"Beneficial Owner"*) is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Neither the Trustee nor the University is responsible for sending notices to Beneficial Owners. Beneficial Owners of the 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 within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed, unless other arrangements are made between the University 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 University or the Trustee 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 University or the Trustee, on a 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 University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, Redemption Price of and interest payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University 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.

In reading this Offering Circular it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Offering Circular 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 Indenture will be given only to DTC.

Euroclear and Clearstream Banking. Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depositary 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 or Clearstream Banking and Euroclear if the investors are participants in those systems. For any such Bonds, the record holder will be DTC's nominee, Clearstream Banking, and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a Direct Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Indenture provides that, on or before each Interest Payment Date, optional redemption date, mandatory sinking fund redemption date and the Maturity Date, the University will pay the Trustee a sum equal to the amount payable on such date as principal of (whether at maturity, by redemption or upon acceleration), Redemption Price 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 principal of (whether at maturity, by redemption or upon acceleration), Redemption Price of, and interest becoming due and payable on the Bonds on such payment date. If on any such payment date the amounts held by the Trustee are insufficient to make any required payments of principal of, Redemption Price of, and interest on the Bonds as such payments become due, the University is required to pay such deficiency to the Trustee. Upon the receipt thereof, the Trustee will deposit all payments received from the University into certain funds established pursuant to the Indenture.

The Bonds constitute unsecured general obligations of the University. The Bonds are not secured by a reserve fund or by a mortgage lien on, or security interest in, any property of the University, except for funds held from time to time by the Trustee for the benefit of the holders of the Bonds under the Indenture. In addition, the Indenture does not contain any financial covenants limiting the ability of the University to incur indebtedness, to encumber or dispose of its property or to merge with any other entity, or any other similar financial covenants. The University may incur indebtedness that is secured or unsecured and indebtedness that is entitled to payment prior to payment on the Bonds. Limited covenants contained in the Indenture with respect to the University's operations are described in APPENDIX C hereto under the caption "Certain Covenants of the University." Pursuant to the Indenture, the University 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.

CERTAIN INVESTMENT CONSIDERATIONS

The investment considerations discussed below should be considered by potential investors in evaluating an investment in the Bonds. The discussion of investment considerations is not, and is not intended to be, exhaustive.

ENDOWMENT PERFORMANCE AND DISTRIBUTIONS

Investment income on its endowment is a significant source of revenue for the University. The University's future financial health depends, in part, on its ability to earn a rate of return on its endowment over time that is sufficient to support current operations while preserving the real purchasing power of distributions over time. The University uses various derivative products and other investment tools, the value of which may be affected by interest rate fluctuations and other economic developments. The University has maintained its historical rate of distributions to support current operations during periods of both positive and negative returns on investments. While the University believes its investments are being managed prudently and has adopted policies designed to ensure sound management, there is no assurance that future developments in the securities markets will not have a materially adverse effect on the market value of its investments and its investment income.

FUNDRAISING

The University has consistently demonstrated an ability to raise funds from a variety of benefactors for its operations, capital improvements, and endowment. Future fundraising, however, may be materially adversely affected by a number of factors, including adverse economic conditions, possible changes in income tax rates, and possible tax law changes affecting the deductibility of charitable contributions.

TUITION AND FEES

The University derives substantial revenue from tuition and fees. Because tuition and fee revenue depends on a variety of factors, including economic and demographic factors and public and private funding of financial aid, many of which are outside the control of the University, it is possible that such revenues will not continue at expected levels in the future. Although the University has consistently demonstrated a high level of student demand for its programs at current tuition fee levels, there is no assurance that it will be able to do so in the future. A sizable reduction in the enrollment of students at the University may have a materially adverse impact on the financial condition of the University.

GRANTS AND OTHER RESEARCH FUNDING

As a national research institution, the University has obtained substantial governmental and private grants and research contracts. The competition for such funding is vigorous, and the availability of such funding may be materially adversely affected by reductions or discontinuance of both governmental programs and programs sponsored by private businesses and nonprofit foundations. Such funding may also be reduced by economic downturns or tax law or other factors materially adversely affecting private research funding or charitable donations for such purposes. Most governmental research funding has been obtained from the federal government. Due to substantial recurring federal budget deficits, proposals are made from time to time to reduce federal government expenditures substantially. There can be no assurance that proposed efforts to reduce federal government expenditures, or the effect of competition for funding, will not substantially adversely affect the amount of federal research funding obtained by the University in future years.

FUTURE CHANGES IN LAW

The University is subject to substantial complex regulation by various governmental authorities. There can be no assurance that there will not be any change in, reinterpretation of, or addition to the laws or regulations applicable to the University, including changes in the Higher Education Act, regulations concerning research, and federal immigration laws. There can be no assurance that any such changes in laws or regulations will not have a material adverse effect on the operations and/or financial condition of the University.

POSSIBLE TAX CHANGES AFFECTING THE UNIVERSITY

The possible modification or repeal of certain existing federal income tax or state tax laws, or other loss by the University of the present advantages of certain provisions of the federal income tax or state tax laws, could materially and adversely affect the tax exemptions relied upon by the University and thereby its revenues. In addition, modification or repeal of the University's exemption from property taxes under state and local laws could materially adversely affect the University's financial condition.

The University is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As an exempt organization, the University is subject to a number of requirements affecting its operations. The failure of the University to remain qualified as an exempt organization may have a material adverse effect on the University's financial condition.

CYBERSECURITY

Computer networks and data transmission and collection are vital to the efficient operation of the University. Despite the implementation of network security measures by the University, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware, or computer viruses, or may otherwise be breached due to employee error, malfeasance, or other disruptions. Any such breach could compromise networks, and the information stored thereon could be disrupted, accessed, publicly disclosed, lost, or stolen. Although the University does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly-situated entities, any such disruption, access, disclosure, or other loss of information could result in reputational damage to the University and may have a material adverse effect on the University's operations and financial condition. Further, as cybersecurity threats continue to evolve, the University may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate, and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks.

RISKS NOT COVERED BY INSURANCE

Although the University maintains a program of insurance and self-insurance to protect against certain operating and other risks, not all risks are insured or insurable (for example, losses as a result of certain litigation), and disputes may develop over insured risks. In addition, there can be no assurance that such insurance coverage will be available in the future at all or on commercially reasonable terms or at commercially reasonable rates. If certain operating risks occur, or if there is a total or partial loss of some or all University facilities, there can be no assurance that the proceeds of the applicable insurance policies will be adequate to cover lost revenues, increased expenses, or the cost of repair or replacement. Any of the foregoing events could materially adversely affect the University's financial condition.

ENFORCEABILITY OF REMEDIES

The enforceability of the rights and remedies of the Trustee or the holders of the Bonds under the Indenture and the availability of remedies to any party seeking to enforce the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the enforceability of the rights and remedies under the Indenture and the availability of remedies to any party seeking to enforce the security granted thereby may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Illinois and the United States of America, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a preceding in equity or at law). These exceptions would encompass any exercise of federal, State of Illinois or local police powers (including the police powers of the State of Illinois), in a manner consistent with the public health and welfare. The enforceability of the Indenture and the availability of remedies to a party seeking to enforce a pledge of security under the Indenture in a situation where such enforcement or availability may materially adversely affect public health and welfare may be subject to these police powers.

COVID-19

The Novel Coronavirus 2019 (*"COVID-19"*) pandemic is altering the behavior of businesses and people in a manner that is having negative effects on global financial markets, national, state, and local economies, and the higher education landscape in general and may materially adversely impact the University's finances and operations. The University has taken a number of actions to address COVID-19, including replacing in-person classes with virtual instruction through the end of the 2020 spring quarter. See "COVID-19" in APPENDIX A. Adverse consequences of the pandemic on the University may include, but are not limited to, decline in enrollment, decline in University revenues, decline in demand for University housing, and a decline in demand in University programs that involve travel or have international connections. In addition, securities markets in the United States and globally have recently seen significant declines and increased volatility attributed to COVID-19 concerns. The continued spread of COVID-19 or any other similar outbreaks in the future may materially adversely impact such markets and foreign and domestic economies and, accordingly, may have a material adverse effect on the investment performance, liquidity, and financial condition of the University.

Lawsuits have been initiated against institutions of higher learning relating to, among other things, the transition to remote delivery of educational programming and the closing of student housing, following the outbreak of COVID-19, which seek damages in the form of refund for tuition, room, board, and other fees. The University has not been named in any lawsuit relating to COVID-19 or the University's response to the pandemic. No assurance can be provided that future lawsuits or other legal proceedings will not be initiated against the University in connection with COVID-19. The scope of any material adverse impact resulting from any such future lawsuit or proceeding cannot be determined at this time.

The University continues to monitor the course of the COVID-19 pandemic and the impact of the pandemic on the University's finances and operations. The full impact of the COVID-19 pandemic and the scope of any material adverse impact on the University cannot be fully determined at this time.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required in each fiscal year to pay debt service on the long-term indebtedness of the University, after giving effect to the application of the proceeds of the Bonds.

FISCAL YEAR	THE BONDS			OTHER UNIVERSITY DEBT (1)(2)(3)(4)			TOTAL
ENDING AUGUST 31	PRINCIPAL PAYMENTS	INTEREST PAYMENTS	TOTAL DEBT SERVICE	PRINCIPAL PAYMENTS	INTEREST PAYMENTS	TOTAL OTHER DEBT SERVICE	ANNUAL DEBT SERVICE
2020	-	-	-	$ 5,085,000	$ 82,348,876	$ 87,433,876	$ 87,433,876
2021	-	$ 7,986,000	$ 7,986,000	5,450,000	82,218,628	87,668,628	95,654,628
2022	-	7,920,000	7,920,000	4,790,000	82,077,020	86,867,020	94,787,020
2023	-	7,920,000	7,920,000	6,660,000	81,839,843	88,499,843	96,419,843
2024	-	7,920,000	7,920,000	7,710,000	81,480,593	89,190,593	97,110,593
2025	-	7,920,000	7,920,000	10,240,000	81,031,843	91,271,843	99,191,843
2026	-	7,920,000	7,920,000	10,750,000	80,507,093	91,257,093	99,177,093
2027	-	7,920,000	7,920,000	29,840,000	79,592,343	109,432,343	117,352,343
2028	-	7,920,000	7,920,000	31,130,000	78,404,393	109,534,393	117,454,393
2029	-	7,920,000	7,920,000	32,215,000	77,207,068	109,422,068	117,342,068
2030	-	7,920,000	7,920,000	-	76,551,693	76,551,693	84,471,693
2031	-	7,920,000	7,920,000	-	76,551,693	76,551,693	84,471,693
2032	-	7,920,000	7,920,000	-	76,551,693	76,551,693	84,471,693
2033	-	7,920,000	7,920,000	-	76,551,693	76,551,693	84,471,693
2034	-	7,920,000	7,920,000	21,870,000	76,043,981	97,913,981	105,833,981
2035	-	7,920,000	7,920,000	203,755,000	72,363,093	276,118,093	284,038,093
2036	-	7,920,000	7,920,000	72,545,000	68,642,873	141,187,873	149,107,873
2037	-	7,920,000	7,920,000	75,450,000	65,679,082	141,129,082	149,049,082
2038	-	7,920,000	7,920,000	78,475,000	62,594,745	141,069,745	148,989,745
2039	-	7,920,000	7,920,000	81,620,000	59,384,911	141,004,911	148,924,911
2040	-	7,920,000	7,920,000	75,830,000	56,028,958	131,858,958	139,778,958
2041	-	7,920,000	7,920,000	79,280,000	52,512,607	131,792,607	139,712,607
2042	-	7,920,000	7,920,000	82,865,000	48,836,666	131,701,666	139,621,666
2043	-	7,920,000	7,920,000	86,620,000	44,994,220	131,614,220	139,534,220
2044	-	7,920,000	7,920,000	97,700,000	40,811,440	138,511,440	146,431,440
2045	-	7,920,000	7,920,000	102,255,000	36,269,932	138,524,932	146,444,932
2046	-	7,920,000	7,920,000	75,495,000	32,447,594	107,942,594	115,862,594
2047	-	7,920,000	7,920,000	203,460,000	27,722,241	231,182,241	239,102,241
2048	-	7,920,000	7,920,000	134,080,000	22,707,615	156,787,615	164,707,615
2049	-	7,920,000	7,920,000	137,415,000	17,441,606	154,856,606	162,776,606
2050	$150,000,000	5,940,000	155,940,000	50,000,000	13,845,000	63,845,000	219,785,000
2051	150,000,000	1,980,000	151,980,000	50,000,000	11,939,000	61,939,000	213,919,000
2052	-	-	-	-	10,986,000	10,986,000	10,986,000
2053	-	-	-	-	10,986,000	10,986,000	10,986,000
2054	-	-	-	-	10,986,000	10,986,000	10,986,000
2055	-	-	-	-	10,986,000	10,986,000	10,986,000
2056	-	-	-	-	10,986,000	10,986,000	10,986,000
2057	-	-	-	150,000,000	8,239,500	158,239,500	158,239,500
2058	-	-	-	150,000,000	2,746,500	152,746,500	152,746,500
TOTAL	$300,000,000	$237,666,000	$537,666,000	$2,152,585,000	$1,989,096,043	$4,141,681,043	$4,679,347,043

(1) For purposes of this table, the University assumes that all variable rate debt (Series 2004 Bonds, Series 2008 Bonds) bear interest at 2.00% per annum through maturity.

(2) Excludes promissory note with a $16 million par amount (as of 08/31/2019) that matures in FY 2021.

(3) Excludes line of credit obligations.

(4) Excludes commercial paper to be refinanced by the Bonds.

CERTAIN TAX CONSIDERATIONS

GENERAL

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the *"Code"*).

The following is a summary of certain material federal income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect. 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. This summary does not discuss all aspects of federal income taxation that may be relevant to investors. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, except as explicitly provided below, it generally is addressed only to original purchasers of the Bonds that are "U.S. Holders" (as defined below), deals only with Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Bonds. This summary was prepared in connection with the offering of the Bonds. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to such investor's particular situation.

As used herein, a "U.S. Holder" is a "U.S. person" that is a beneficial owner of a Bond. A "Non-U.S. Holder" is a holder (or beneficial owner) of a Bond that is not a U.S. Person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

TAX STATUS OF THE BONDS

The Bonds are expected to be treated, for federal income tax purposes, as a debt instrument. Accordingly, subject to the discussion below regarding OID (as defined below), interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

If the excess of the stated redemption price at maturity of a Bond over its "issue price" exceeds a specified de minimis amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity), the excess is treated as original issue discount (*"OID"*). The issue price of the Bonds is the first price at which a substantial amount of the Bonds is sold to the public. The issue price of the Bonds is expected to be the amount set forth on the cover page of this Offering Circular but is subject to change based on actual sales. The stated redemption price at maturity of a Bond is the total of all payments provided by the Bond that are not payments of "qualified stated interest." The term "qualified stated interest" generally means stated interest that is unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or, subject to certain conditions, at a variable rate based on one or more interest indices.

With respect to a U.S. Holder that purchases in the initial offering a Bond issued with OID, the amount of OID that accrues during any accrual period equals (i) the "adjusted issue price" of the Bond at the beginning of the accrual period (which price equals the issue price of such Bond plus the amount of OID that has accrued on a constant-yield basis in all prior accrual periods minus the amount of any payments, other than "qualified stated interest," received on the Bond in prior accrual periods) multiplied by (ii) the yield to maturity of such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period) less (iii) any qualified stated interest payable on the Bond during such accrual period. The amount of OID so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period.

A U.S. Holder of a Bond issued with OID must include in gross income for federal income tax purposes the amount of OID accrued with respect to each day during the taxable year that the U.S. Holder owns the Bond. Such an inclusion in advance of receipt of the cash attributable to the income is required even if the U.S. Holder is on the cash method of accounting for United States federal income tax purposes. The amount of OID that is includible in a U.S. Holder's gross income will increase the U.S. Holder's tax basis in the Bond. The adjusted tax basis in a Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale or retirement) of the Bond.

The University may redeem all or part of the Bonds on any Business Day at the Make-Whole Redemption Price, as discussed under "The Bonds—Redemption." Under the Treasury regulations regarding notes issued with OID, if based on all the facts and circumstances as of the date on which the Bonds are issued there is a remote likelihood that a contingent redemption option will be exercised, it is assumed that such redemption will not occur. The University intends to take the position that as of the expected issue date of the Bonds, the likelihood of such event is for this purpose remote. However, the University's determination is not binding on the IRS, and if the IRS were to challenge this determination, holders of the Bonds may be required to accrue income on the Bonds that they own in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such Bonds before the resolution of the contingency. In the event that this contingency were to occur, the occurrence of such contingency would affect the amount and timing of the income that holders recognize. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the Bonds of the contingent payment debt instrument rules and the consequences of such application. The remainder of this discussion assumes that the Bonds will not be treated as contingent payment debt instruments.

MEDICARE TAX

An additional 3.8% tax will be imposed on the net investment income (which includes interest, original issue discount and gains from a disposition of a Bond) of certain individuals, trusts and estates. Prospective investors in the Bonds should consult their tax advisors regarding the possible applicability of this tax to an investment in the Bonds.

SALE AND EXCHANGE OF BONDS

Upon a sale or exchange of a Bond, a holder generally will recognize gain or loss on the Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Bond not yet taken into income will be ordinary) if the holder holds the Bond as a capital asset. The adjusted basis of the holder in a Bond (without OID) will (in general) equal its original purchase price, decreased by any payments of principal received on the Bond. In general, if the Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

If the liability of the University in respect of a Bond ceases as a result of an election by the University to pay and discharge the indebtedness on such Bond by depositing with the Trustee sufficient cash and/or Government Obligations to pay or redeem and discharge the indebtedness on such Bond (a *"legal defeasance"*), under current tax law a holder will be deemed to have sold or exchanged such Bond. In the event of such a legal defeasance, a holder generally will recognize gain or loss on the deemed exchange of the Bonds. Ownership of the Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different than those described in this "CERTAIN TAX CONSIDERATIONS" section and each holder should consult its own tax advisor regarding the consequences to such holder of a legal defeasance of the Bonds.

BACKUP WITHHOLDING

The University or its paying agent, if any (the *"payor"*), must report annually to the IRS and to each U.S. Holder any interest that is payable to the U.S. Holder, subject to certain exceptions. Under Section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 24% (subject to future adjustment) with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption or retirement of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number (*"TIN"*) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts paid as back-up withholding do not constitute an additional tax and will be credited against the U.S. Holder's federal income tax liabilities (and possibly result in a refund), so long as the required information is timely provided to the IRS.

CERTAIN U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

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

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

Interest on the Bonds held by other Non-U.S. Holders may be subject to withholding taxes of up to 30% of each payment made to the Non-U.S. Holders unless the "portfolio interest" exemption applies. In general, interest paid on the Bonds to a Non-U.S. Holder will qualify for the portfolio interest exemption, and thus will not be subject to U.S. federal withholding tax, if (1) such Non-U.S. Holder is not (i) a "controlled foreign corporation" (within the meaning of Section 957 of the Code) related, directly or indirectly, to the University or (ii) a bank; (2) the payor receives a certification of such facts from the Non-U.S. Holder; and (3) the payor receives from the Non-U.S. Holder who is the beneficial owner of the obligation a statement signed by such person under penalties of perjury, on IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), certifying that such owner is not a U.S. Holder and providing such owner's name and address. Alternative methods may be applicable for satisfying the certification requirement described above. Foreign trusts and their beneficiaries are subject to special rules, and such persons should consult their own tax advisors regarding the certification requirements.

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

A Non-U.S. Holder will generally not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange, redemption or other disposition of a Bond. (Such gain does not include proceeds attributable to accrued but unpaid interest on the Bonds, which will be treated as interest.) A Non-U.S. Holder may, however, be subject to U.S. federal income tax on such gain if: (1) the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more in the taxable year of the disposition, or (2) the gain is effectively connected with the conduct of a U.S. trade of business, as provided by applicable U.S. tax rules (in which case the U.S. branch profits tax may also apply), unless an applicable tax treaty provides otherwise.

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

Payments to Non-U.S. Holders will be net of any applicable withholding tax. The University is not providing any indemnification or gross-up in regard to such taxes.

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

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

Provisions commonly referred to as "FATCA" impose withholding of 30% on payments of U.S.-source interest, certain other types of payments paid to "foreign financial institutions" (which is broadly defined for this purpose and in general includes investment vehicles) and certain other non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied, or an exemption applies. Such an exemption must typically be evidenced by delivery of a properly executed IRS Form W-8BEN-E. An intergovernmental agreement between the United States and the entity's jurisdiction may modify these requirements. If FATCA withholding is imposed, a Non-U.S. Holder that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld by filing a U.S. federal income tax return (which may entail significant administrative burden) if the Non-U.S. Holder would otherwise be eligible for exemptions from U.S. withholdings as described above.

CERTAIN ERISA CONSIDERATIONS

The following summary regarding certain aspects of the Employee Retirement Income Security Act of 1974, as amended (*"ERISA"*), and the Code is based on ERISA and the Code, judicial decisions and U.S. Department of Labor and IRS regulations and rulings that are in existence on the date of this Offering Circular. This summary is general in nature and does not address every issue pertaining to ERISA or the Code that may be applicable to the Bonds or a particular investor. Accordingly, each prospective investor should consult with his, her or its own counsel in order to understand the ERISA-related issues that affect or may affect the investor with respect to the Bonds.

ERISA and the Code impose certain requirements on employee benefit plans that are subject to Title I of ERISA and plans and arrangements subject to Section 4975 of the Code (each such employee benefit plan or plan, a *"Plan"*) and on those persons who are "fiduciaries" with respect to Plans. In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a Plan's investment be made in accordance with the documents governing the Plan, Section 406(a) of ERISA and Sections 4975(c)(1)(A), (B), (C) and (D) of the Code prohibit certain transactions that involve Plan assets, entities whose underlying assets include Plan assets by reason of the Plan's investing in such entities, and a person who is a "party in interest" as defined in Section 3(14) of ERISA or a "disqualified person" as defined in Section 4975(e)(2) of the Code with respect to such Plan. These definitions are expansive and include a fiduciary with respect to a Plan, a person providing services to a Plan and an employer or employee organization any of whose employees or members are covered by the Plan.

Examples of such prohibited transactions include, but are not limited to, sales or exchanges of property (such as the Bonds), or the lending of money or extensions of credit, between a Plan and a party in interest or disqualified person. Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code generally prohibit a fiduciary with respect to a Plan from dealing with the assets of the Plan for its own benefit (for example when a fiduciary of a Plan uses its position to cause the Plan to make investments in connection with which the fiduciary (or a party related to the fiduciary) receives a fee or other consideration).

The acquisition or holding of Bonds by or on behalf of a Plan would involve the lending of money or extension of credit by the Plan and could be considered to give rise to a prohibited transaction if the University or the Trustee, or any of their respective affiliates, is or becomes a party in interest or a disqualified person with respect to the Plan. In such a case, however, ERISA and the Code contain certain exemptions from the prohibited transactions described in Section 406(a) of ERISA and Sections 4975(c)(1)(A), (B), (C) and (D) of the Code, and the Department of Labor has issued several exemptions, that could be applicable depending on the type and circumstances of the Plan fiduciary making the decision to acquire the Bonds (although they do not provide relief from the prohibitions on self-dealing contained in Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code). Exemptions include Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code pertaining to certain transactions with non-fiduciary service providers; Department of Labor Prohibited Transaction Class Exemption (*"PTCE"*) 95-60, applicable to transactions involving insurance company general accounts; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding investments effected by a qualified professional asset manager; and PTCE 96-23, regarding investments effected by an in-house asset manager. There can be no assurance that any of these exemptions will be available with respect to the acquisition of the Bonds. Under Section 4975 of the Code, excise taxes are imposed on disqualified persons who participate in non-exempt prohibited transactions (other than a fiduciary acting only as such).

As a general rule, a governmental plan, as defined in Section 3(32) of ERISA (a *"Governmental Plan"*), a church plan, as defined in Section 3(33) of ERISA, that has not made an election under Section 410(d) of the Code (a *"Church Plan"*) and non-U.S. plans are not subject to the requirements of ERISA or Section 4975 of the Code.

Accordingly, assets of such plans may be invested without regard to the fiduciary and prohibited transaction considerations described above. Although a Governmental Plan, a Church Plan or a non-U.S. plan is not subject to ERISA or Section 4975 of the Code, it may be subject to other U.S. federal, state or local laws or non-U.S. laws that regulate its investments (a *"Similar Law"*). A fiduciary of a Government Plan, a Church Plan or a non-U.S. plan should make its own determination as to the requirements, if any, under any Similar Law applicable to the acquisition of the Bonds.

An investor who is considering acquiring the Bonds must consider whether the acquisition and holding of the Bonds will raise fiduciary issues or constitute or result in a non-exempt prohibited transaction. It is the responsibility of each investor to ensure that its acquisition, holding and transfer of such Bonds is not a prohibited transaction.

This offer is not a representation by the University or the Underwriters that an acquisition of the Bonds meets all legal requirements applicable to investments by Plans, entities whose underlying assets include assets of a Plan, Governmental Plans, Church Plans or non-U.S. plans or that such an investment is appropriate for any particular Plan, entities whose underlying assets include assets of a Plan, Governmental Plan, Church Plan or non-U.S. plan.

LEGAL MATTERS

Certain legal matters will be passed upon for the University by its General Counsel and by its special counsel, Schiff Hardin LLP, Chicago, Illinois, and for the Underwriters by their counsel, Chapman and Cutler LLP, Chicago, Illinois. The various legal opinions to be delivered by counsel concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed in the opinions. By rendering a legal opinion, the opinion giver does not undertake to be an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

ABSENCE OF LITIGATION

No action, suit, proceeding or investigation at law or in equity, before or by any court, any governmental agency, any arbitrator or any public board or body, is pending, or to the University's knowledge, threatened, against the University affecting the validity of the Indenture or the Bonds or contesting the corporate existence or powers of the University. The litigation pending, or to the University's knowledge threatened, against the University, consists of cases which are not expected by the University, individually or in the aggregate, to materially adversely affect the University's financial position or operations.

CERTAIN RELATIONSHIPS

Certain members of the Board of Trustees of the University are or may be officers, directors or stockholders of, or have other financial interests in or relationships with, one or more of the Underwriters or the Trustee. The University's Bylaws require its trustees to disclose any conflict of interest and to abstain from voting upon any matter in which the trustee has a conflict of interest, in accordance with its policies and procedures. Chapman and Cutler LLP, counsel to the Underwriters, represents the University from time to time on certain tax-exempt financing matters.

UNDERWRITING

Goldman Sachs & Co. LLC (the *"Representative"*), Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, Barclays Capital Inc. and Loop Capital Markets LLC, (collectively, with the Representative, the *"Underwriters"*) agree in the Bond Purchase Agreement to be executed by and between the University and the Representative, on behalf of all of the Underwriters (the *"Bond Purchase Agreement"*), subject to certain conditions, to purchase the Bonds from the University at an aggregate purchase price of $299,095,092.25 (representing the aggregate principal amount of the Bonds of $300,000,000.00, less an underwriting discount of $904,907.75). The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. Additional information regarding this Offering Circular and copies of the documents referred to herein can be obtained by contacting the Representative, on behalf of the Underwriters.

The Bond Purchase Agreement to be executed provides that the Underwriters will purchase all of the Bonds, if any are purchased, and requires the University to indemnify the Underwriters against certain losses, claims, damages and liabilities to third parties arising out of any materially incorrect or incomplete statements or information contained in this Offering Circular.

J.P. Morgan Securities LLC (*"JPMS"*), an Underwriter of the Bonds, has entered into negotiated dealer agreements (each, a *"Dealer Agreement"*) with each of Charles Schwab & Co., Inc. (*"CS&Co."*) and LPL Financial LLC (*"LPL"*) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL may purchase the Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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 banking and investment banking services for the University, 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 University.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATINGS

The Bonds have been assigned ratings of "Aa1" (outlook stable) by Moody's Investors Service, Inc. (*"Moody's"*), "AA+" (outlook stable) by S&P Global Ratings (*"S&P"*), and "AA+" (outlook stable) by Fitch Ratings, Inc. (*"Fitch"*). Such ratings reflect only the view of the respective rating agencies. Any explanation of the significance of any such rating may only be obtained from the respective rating agency. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by Moody's, S&P or Fitch if, in such rating agency's judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR TO THE UNIVERSITY

The University has retained Janney Montgomery Scott LLC, as Financial Advisor (the *"Financial Advisor"*) for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Offering Circular. In addition to providing financial advisory services, the Financial Advisor is also engaged in the business of underwriting, trading, and distribution of municipal and other public securities.

CONTINUING DISCLOSURE

While the University has covenanted in the Indenture to provide to the Trustee its audited financial statements within 180 days of the last day of each fiscal year of the University, the offering of the Bonds is not subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Act of 1934, as amended, and, accordingly, the University will not enter into a continuing disclosure undertaking with respect to the Bonds.

MISCELLANEOUS

The references herein, and in the appendices attached hereto and to the Indenture are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to such documents. Copies of the documents mentioned under this heading are on file at the office of the Representative and following delivery of the Bonds will be on file at the designated corporate trust office of the Trustee.

The attached APPENDICES A, B and C are integral parts of this Offering Circular and should be read in their entirety together with all foregoing statements.

The University has supplied and reviewed the information contained herein relating to the University and has approved all such information for use within this Offering Circular.

The execution and delivery of this Offering Circular have been duly authorized by the University.

NORTHWESTERN UNIVERSITY

By: /s/ Craig A. Johnson, MBA
Senior Vice President for Business and Finance

APPENDIX A

NORTHWESTERN UNIVERSITY

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

NORTHWESTERN UNIVERSITY

GENERAL

Northwestern University ("**Northwestern**" or the "**University**") is a private, coeducational, nonsectarian institution of higher education created by special act of the General Assembly of the State of Illinois in 1851. Northwestern is one of the nation's largest independent universities, with a total enrollment on its Evanston and Chicago campuses of 17,031 full-time students for the 2019 fall quarter.

Northwestern is located on three separate campuses. The largest campus, with more than a mile of Lake Michigan shoreline, includes a total of approximately 240 acres in the City of Evanston, Illinois, an adjacent northern suburb of Chicago.

The 20-acre Chicago campus, 12 miles to the south of the Evanston campus, is near Chicago's North Michigan Avenue "Magnificent Mile" business district. The Chicago campus houses the Feinberg School of Medicine, the Pritzker School of Law, the School of Professional Studies, the evening Master of Management program of the Kellogg School of Management, and the Allied Health Professions programs.

In August 2008, the University established an international campus in Doha, Qatar, with undergraduate programs in journalism and communication.

Northwestern is recognized both nationally and internationally for the quality of its educational programs at all levels. In September 2019, *U.S. News & World Report* ranked Northwestern University ninth among top national universities, and has consistently ranked the University's undergraduate programs among the best in the country. In March 2020, *U.S. News & World Report* ranked the Kellogg School of Management third (tied) in its annual survey of the best graduate schools of business in the nation; Kellogg's Executive MBA program was ranked second. In addition, Northwestern's Pritzker School of Law was ranked ninth (tied) in legal programs nationally, and the Feinberg School of Medicine was ranked 18th (tied) among research intensive medical programs. In September 2019, *The Times Higher Education* ranked the University twenty-second among world universities.

GOVERNANCE AND ADMINISTRATION

Board of Trustees

Northwestern is governed by a Board of Trustees (the "**Board**") responsible for the overall direction of the University. The Board is a self-perpetuating body, electing new members from among the individuals recommended by its Committee on Governance and Nominations. The Board elects its Chairman for a five-year term; other officers of the Board are elected for one-year terms. The Board also elects an Executive Committee and a Committee on Investments, delegating powers to these two committees to act between meetings of the Board. The Chairman of the Board appoints the members of several other standing committees, including, among others, the Audit, Risk and Compliance ("**Audit Committee**"), Finance, Compensation, Alumni Relations and Development, and Academic Affairs Committees. The full Board usually meets each September, November, March, and June; the Executive Committee typically meets four or five times each year.

Officers of the Board and their respective professional affiliations are as follows:

*†	J. Landis Martin Chairman of the Board	Chairman and Managing Director, Platte River Equity
*§	Peter J. Barris Vice Chairman of the Board	Chairman & General Partner, New Enterprise Associates
*	Virginia Rometty Vice Chairman of the Board	Chairman, President and CEO IBM Corporation
*	Charles A. Tribbett III Vice Chairman of the Board	Managing Director, Russell Reynold Associates
	Christine E. Brennan Secretary of the Board	Sports Columnist and Commentator on USA Today, ABC News, CNN, and NPR
*§	Jane DiRenzo Pigott Treasurer of General Funds	Managing Director, R3 Group LLC
*§	T. Bondurant French Treasurer of Endowment and Trust Funds	Chairman, Adams Street Partners LLC

* Member of the Executive Committee
§ Member of the Committee on Investments
† Chairman of the Board, ex-officio voting member on all committees

A complete list of the members of the Board of Trustees is included on the last page of the University's 2019 Financial Report attached as Appendix B.

University Officers

The president of the University is elected by the Board and is charged with responsibility for the administration of the University. All other officers of the University are elected by the Board, but are subject to the direction of the president.

The following are the principal executive officers of the University, the position held by each, and the year when each assumed such position. A brief statement of qualifications of certain of the officers follows the list of officers.

Name	Position	Assumed Position
Morton O. Schapiro, Ph.D.	President	2009
Kathleen Hagerty, Ph.D.	Interim Provost*	2020
Craig A. Johnson, M.B.A.	Senior Vice President for Business and Finance	2018
Manuel Cuevas-Trisán, J.D.	Vice President for Human Resources	2020
Paul Castellucci, Ph.D.	Vice President for Budget and Planning	2017
Alex Darragh, M.S.	Vice President for Facilities	2019
Amanda J. Distel	Senior Associate Vice President for Finance and Treasurer	2018
Stephanie Graham, J.D.	Vice President and General Counsel	2019
Dévora Grynspan Ph.D.	Vice President for International Relations	2015
Julie Payne-Kirchmeier, Ph.D.	Vice President for Student Affairs	2020
Marilyn McCoy, M.P.P.	Vice President for Administration and Planning	1985
William H. McLean, M.B.A.	Vice President and Chief Investment Officer	2002
Robert McQuinn, M.B.A.	Vice President for Alumni Relations and Development	2010
Milan Mrksich, Ph.D.	Vice President for Research	2020
Eric G. Neilson, M.D.	Vice President for Medical Affairs	2011
James J. Phillips, Ph.D.	Vice President for Athletics and Recreation	2008
Sean Reynolds, M.A.	Vice President for Information Technology and Chief Information Officer	2011
Jeri Ward, M.B.A.	Vice President for Global Marketing and Communications	2018

* Currently, a search committee has been formed and is actively recruiting candidates for the position of Provost.

Morton O. Schapiro, President

Morton Owen Schapiro was elected President of Northwestern University on December 16, 2008. He took office on September 1, 2009. He is a Professor of Economics in Northwestern's Judd A. and Marjorie Weinberg College of Arts and Sciences and also holds appointments in Northwestern's Kellogg School of Management and School of Education and Social Policy.

Mr. Schapiro is among the nation's leading authorities on the economics of higher education, with particular expertise in the area of college financing and affordability and on trends in educational costs and student aid. Prior to his appointment as President of the University, Mr. Schapiro served as President of Williams College and Professor of Economics beginning in 2000. Mr. Schapiro was a faculty member of Williams College at the beginning of his academic career from 1980 until 1991, becoming both Professor of Economics and Assistant Provost.

Beginning in 1991 at the University of Southern California, Mr. Schapiro served as Chair of the Department of Economics until 1994, as Dean of the College of Letters, Arts and Sciences from 1994 until 2000, and as Vice President for Planning from 1998 until 2000.

The National Science Foundation, the U.S. Department of Education, the World Bank, the Andrew W. Mellon Foundation, the Spencer Foundation, the College Board, and the Organization for Economic Cooperation and Development awarded Mr. Schapiro research grants and contracts to study the economics of higher education. He has written more than 100 articles, written or edited nine books, and has also authored dozen of essays and commentaries for numerous publications, including the New York Times, Wall Street Journal, and Washington Post.

In 2010, Mr. Schapiro was elected as a fellow of the American Academy of Arts and Sciences, and in 2017 he was elected to the National Academy of Education. He currently serves as a director of Marsh & McLennan Companies, Inc.

Mr. Schapiro received his bachelor's degree in economics from Hofstra University and his Ph.D. from the University of Pennsylvania.

Kathleen Hagerty, Interim Provost

Kathleen Hagerty is the Associate Provost for Faculty for Northwestern University and is currently serving as the Interim Provost. She previously served as interim dean of the Kellogg School of Management. She joined Kellogg more than 30 years ago and holds the First Chicago Professorship in Finance.

Ms. Hagerty has held numerous leadership positions within Kellogg, including serving two terms as senior associate dean of faculty and research, two terms as chair of the finance department and two years as faculty director of Kellogg's Ph.D. programs. She also is responsible for the development of several successful academic programs that foster partnerships across the University.

Her work has studied the micro-structure of securities markets, disclosure regulation, insider trading regulation and the effectiveness of self-regulatory organizations. Her research has appeared in journals such as *The Quarterly Journal of Economics*, *Journal of Political Economy* and *The Journal of Finance*.

Ms. Hagerty received her bachelor's degree in Mathematics, master's degree in Operations Research, and MBA in Finance from the University of California, Berkeley. She then went on to receive her Ph.D. in Economics from Stanford University.

Craig A. Johnson, Senior Vice President for Business and Finance

Craig Johnson was appointed Senior Vice President for Business and Finance for Northwestern University effective September 25, 2018.

Mr. Johnson has served more than 20 years at Northwestern within the central budget office, the Feinberg School of Medicine, and now central administration. In his role as Senior Vice President, he collaborates with Interim Provost Kathleen Hagerty to direct the University's business and financial operations, managing an annual operating budget of $2.6 billion and sponsored research activity of $798 million.

As Feinberg's Vice Dean and Chief Operating Officer, Mr. Johnson directed all business and operating functions at Feinberg, including a professional workforce of more than 1,800 employees and operating and capital budgets in excess of $700 million. During his tenure, he was a principal architect of the integration of the Northwestern Medical Faculty Foundation into Northwestern Memorial HealthCare.

Mr. Johnson is also a director on the board of Northwestern's insurance group, Rubicon Insurance Company, and an assistant Professor in Feinberg's Department of Medical Education.

Mr. Johnson earned his MBA in finance from Northwestern's Kellogg School of Management and his undergraduate degree, a Bachelor of Arts in Political Science, from Northwestern as well. He is a member of the Association of American Medical Colleges and the Association of Academic Health Centers.

Stephanie M. Graham, Vice President and General Counsel

Stephanie Graham was appointed Vice President and General Counsel in June 2019. She joined Northwestern University's Office of General Counsel in 1993 and briefly served as Interim General Counsel before being selected for her current position after a national search. Prior to joining Northwestern University, Ms. Graham was a labor and employment litigation attorney with Sonnenschein Nath & Rosenthal in Chicago, Illinois.

Ms. Graham's principal areas of responsibility in the Office of General Counsel are office management, labor and employment counseling, research compliance issues and litigation matters. She also advises on a number of other issues including academic medical center issues, union matters, conflict of interest issues and Title IX matters. She is a member of the National Association of College and University Attorneys (NACUA). Also, Ms. Graham teaches a graduate level course titled, "Legal Issues in Higher Education," in Northwestern's School of Education and Social Policy.

Ms. Graham received a bachelor's degree Magna Cum Laude with High Distinction in history from the University of Illinois and was elected to Phi Beta Kappa, and she received a J.D. degree with honors from the University of Chicago Law School. She is licensed to practice in Illinois.

William H. McLean, Vice President and Chief Investment Officer

William H. McLean was appointed Vice President and Chief Investment Officer for Northwestern University in January 2002. He is responsible for managing the University's $11.0 billion diversified portfolio. Prior to joining Northwestern University, Mr. McLean was the Senior Managing Director for Asset and Investment Management at the Chicago-based John D. and Catherine T. MacArthur Foundation, responsible for overseeing all facets of the management of their portfolio. He also served as an Investment Officer at The Duke Endowment in Charlotte, North Carolina.

Mr. McLean is a past president of the North Carolina Society of Financial Analysts and past board member of the Investment Analysts Society of Chicago. He was a director of TIFF Advisory Services, Inc., the overseer of investment vehicles for The Investment Fund for Foundations, and he currently serves as a board member of the TIFF Charitable Foundation (TCF). Mr. McLean is a current trustee of the University of Richmond and a board member of The Sherman Fairchild Foundation and the Robert R. McCormick Foundation. He has served on investment advisory committees of Father Flanagan's Trust Fund, the NCAA, Davidson College, Mather Lifeways and The Mayo Clinic.

A chartered financial analyst, Mr. McLean received his bachelor's degree in economics from Davidson College and his master's degree in business administration from the University of North Carolina, Chapel Hill.

Amanda J. Distel, Senior Associate Vice President for Finance and Treasurer

Amanda Distel was appointed the Senior Associate Vice President for Finance and Treasurer at Northwestern University effective December 2018. She was most recently the Senior Director of Finance at Northwestern's Feinberg School of Medicine, a position she held since 2013. She is responsible for treasury management, controllership, research financial services, and student financial services. She serves as staff support to two Board committees: the Audit, Risk, and Compliance Committee and the Finance Committee.

Ms. Distel coordinates the debt management program, including capital budgeting, development of financial strategies, selection of financial services vendors, preparing rating agency reviews, executing debt issuance, and debt retirement. She coordinates the University's relationships with Moody's, Standard & Poor's, and Fitch in maintaining the University's credit ratings.

Ms. Distel holds a Bachelor of Science degree in Economics from the University of Illinois at Urbana-Champaign.

ACADEMIC PROGRAMS

Undergraduate

Northwestern's undergraduate students participate in a program of general education to ensure exposure to a wide array of intellectual inquiry and disciplines. These general education requirements vary across undergraduate schools, but include course work in the natural sciences, social and behavioral sciences, history, formal studies (mathematics, philosophy, linguistics, and computer studies), value systems, literature, and fine arts. In addition to these general studies, each student selects specialized work to fit his or her own abilities and interests. Undergraduate study leads to a bachelor's degree and preparation for work toward advanced graduate or professional degrees.

The six undergraduate schools, in order of their dates of establishment, are the Judd A. and Marjorie Weinberg College of Arts and Sciences (1851), the School of Communication (1878), the Henry and Leigh Bienen School of Music (1895), the Robert R. McCormick School of Engineering and Applied Science of the Technological Institute (1909), the Medill School of Journalism, Media, Integrated Marketing Communications (1921), and the School of Education and Social Policy (1926).

In addition to regular degree programs, Northwestern provides the opportunity for qualified and highly motivated students to complete bachelors and graduate or professional degrees on an accelerated schedule. These programs include:

- Seven-Year Honors Program in Medical Education

- Five-Year Combined Bachelor's Programs, including available programs in Liberal Arts and Music; Engineering and Music; Engineering and Liberal Arts; Communication and Engineering; and Journalism and Music

- Accelerated master's programs offered through the Kellogg School of Management, the Weinberg College of Arts and Sciences, the Medill School of Journalism and the McCormick School of Engineering and Applied Science

- Three-Year Combined Bachelor's Program in Science and Math

Many Northwestern students have interests that span traditional academic boundaries. Each of Northwestern's six undergraduate schools has a unique curriculum, but many courses offered by each school are open to students from the other undergraduate schools. Collaborative efforts involving more than one undergraduate school, an undergraduate school and a graduate program, or an undergraduate school and a University center or institute provide additional options for students.

Interdisciplinary majors apply the approaches of several departments to certain scientific, cultural and political studies. These programs include American Studies, African Studies, Asian and Middle Eastern Studies, Cognitive Science, Computer Science, Environmental Policy and Culture, Gender and Sexuality Studies, Integrated Science, Materials Science, Mathematical Methods in the Social Sciences, Science in Human Culture, and Urban Studies.

Undergraduate students interested in pursuing an advanced curriculum beyond their declared academic majors can participate in a variety of certificate programs, offered to qualified University students without the requirement of school affiliation, such as the Kellogg School of Management's undergraduate certificate programs in Financial Economics and Managerial Analytics.

The University encourages off-campus learning experiences through field study and study abroad. It sponsors a number of field study and internship programs, enabling undergraduates to test theory against practice and to measure their interest in a given profession or discipline. Most

Northwestern students studying abroad do so through one of the University's more than 150 affiliated foreign study programs.

Graduate and Professional

The Graduate School (established in 1910) offers advanced programs leading to the degrees of Doctor of Philosophy, Master of Arts, Master of Fine Arts, Master of Public Health, and Master of Science. At the graduate level, the University has been a pioneer in interdisciplinary research, including programs in African American Studies, Biomedical Engineering, Cognitive Science, dual degrees in various combinations of fields including, for example, Life Sciences or Medicine and Public Health, and Physics and Astronomy. There are 45 University based research institutes and centers, including the Materials Research Center, the Institute for Policy Research, the Center for Applied Psychology and Family Studies, the International Institute for Nanotechnology, and the Institute for Sustainability and Energy at Northwestern. These centers bring together faculty and graduate students for interdisciplinary study. In addition, joint degree programs are offered by the Graduate School and Feinberg School of Medicine.

The University's long-established and distinguished professional schools are the Feinberg School of Medicine (established in 1859), the Pritzker School of Law (established in 1859), and the Kellogg School of Management (established in 1969).

The Feinberg School of Medicine offers the Doctor of Medicine (M.D.) Program and several combined degree programs including an M.D. /Ph.D. with the Graduate School, an M.D./M.B.A. with the Kellogg School of Management, and an M.D./M.P.H. through the Department of Preventive Medicine in the Feinberg School of Medicine. In addition, Master's degree programs are available including Physical Therapy, Genetic Counseling, and Healthcare Quality and Patient Safety. The M.D. Program enrollment was approximately 727 students as of the 2019 fall quarter. A portion of the Feinberg School of Medicine class is drawn from the Honors Program in Medical Education. This highly selective program simultaneously accepts talented high school graduates to Northwestern University and the Feinberg School of Medicine, enabling the students to complete both bachelors and medical degrees in seven years. The first three years are spent on the Evanston campus.

The Feinberg School of Medicine, located in a five building complex on the University's Chicago campus, is an integral part of a comprehensive academic medical center, known as the McGaw Medical Center of Northwestern University (the "**McGaw Medical Center**"), that pursues the goals of education, research, and the delivery of high quality patient care. In 2019, the University opened the Louis A. Simpson and Kimberly K. Querrey Biomedical Research Center, the largest building dedicated to biomedical research at any medical school in the country.

The McGaw Medical Center is a consortium of urban, suburban, specialized and general hospitals and the University. In addition to the University, the following institutions are now members: Ann & Robert H. Lurie Children's Hospital of Chicago, Northwestern Memorial Hospital, Shirley Ryan AbilityLab, and the Jesse Brown VA Medical Center.

The Feinberg School of Medicine manages graduate medical education programs in the McGaw Medical Center for residents and fellows and continuing medical education programs for practicing physicians. These programs use resources of the Feinberg School of Medicine and the McGaw Medical Center. Northwestern University, Northwestern Medical Group ("**NMG**"), formerly known as Northwestern Medical Faculty Foundation and currently a subsidiary of

Northwestern Memorial HealthCare ("**NMHC**"), and the four hospital system members of the McGaw Medical Center are each separate legal entities, and the financial results reported in this Appendix and included in Appendix B are solely those of the University (including the University's Feinberg School of Medicine) and do not include any results of NMG or the four hospital system members of the McGaw Medical Center.

Effective September 1, 2013, NMG became wholly-owned by NMHC pursuant to a clinical affiliation agreement among the University, NMG and NMHC. NMG remains a separately incorporated entity. Under the agreement, NMHC and NMG committed to provide financial support for the Feinberg School of Medicine. Note 11 in the financial statements included in the 2019 Financial Report in Appendix B provides certain additional information regarding this agreement.

Northwestern's Pritzker School of Law, the first law school in the state and one of the oldest in the nation, seeks to prepare its students for effective service in all fields of the law, such as private practice, careers in government and public interest, business and finance, the judiciary and legal education. The Pritzker School of Law administers a Juris Doctor (J.D.) program, with enrollment as of the 2019 fall quarter of approximately 778 students. The Pritzker School of Law sponsors joint degree programs with the Graduate School (J.D. /Ph.D.), with the Kellogg School of Management (J.D./M.B.A.), which offers one of the country's few three-year J.D./M.B.A. programs, and with the Medill School of Journalism, Media, Integrated Marketing Communications, which prepares students for legal affairs reporting (M.S.J./M.S.L.). A limited number of qualified students enroll in the Accelerated J.D. Program, allowing them to earn their degree in two calendar years. There is also a graduate program that leads to an LL.M. degree and a two-year J.D. degree program for foreign-educated attorneys.

The Kellogg School of Management offers flexible and innovative programs leading to the M.B.A. and Ph.D. degrees, and conducts a wide range of programs in executive education. The School of Management curriculum emphasizes that the management principles and techniques developed for business are applicable in governmental, health care and other non-profit organizations as well. The M.B.A. degree program is offered in three primary forms: a full-time day program, a part-time evening program, and a weekend executive program. Enrollment in the full-time day program as of the 2019 fall quarter was 1,283 students. The Kellogg School of Management offers joint degree programs with the Pritzker School of Law and the McCormick School of Engineering and Applied Science.

FACULTY

As a major independent university, Northwestern has a long tradition of innovation in research and teaching. In addition to being distinguished for its scholarship, the faculty is expected to give high priority to teaching at both the undergraduate and graduate levels. Nearly all of the courses at Northwestern are taught by faculty rather than graduate students. For the 2019-20 academic year, the University's full-time faculty are approximately 3,891 and the University's estimated ratio of full-time equivalent undergraduate students to full-time equivalent faculty is approximately six to one.

Northwestern faculty members include leading research scientists, outstanding fine and performing artists, and Pulitzer and Nobel Prize winners. Based on academy membership lists for 2019, faculty representation totals 88 members in the American Academy of Arts & Sciences; 26 members in the National Academy of Science; and 18 members in the National Academy of

Engineering. In 2018-19, 9 faculty members were given the National Science Foundation's CAREER award.

In March 2019, Northwestern Professor Chad A. Mirkin received the 2019 Perkin Medal from The Society of Chemical Industry (SCI), America Group. The award is widely considered as "the highest honor in American industrial chemistry." In July 2019, Professor Mirkin was selected to receive the $250,000 Kabiller Prize in Nanoscience and Nanomedicine, the world's largest monetary award for outstanding achievement in the field of nanotechnology and its application to medicine and biology.

In December 2019, Northwestern University Professors Guillermo A. Ameer and Sir Fraser Stoddart were named 2019 fellows of the National Academy of Inventors (NAI). Election to NAI fellow status is the highest professional distinction accorded solely to academic inventors.

In October 2018, Award-winning documentary filmmaker and Northwestern University Professor Marco Williams was elected to the Academy of Motion Picture Arts and Sciences. In June 2019, Northwestern University theoretical astrophysicist Fred Rasio received the 2019 Dirk Brouwer Career Award from the American Astronomical Society's Division on Dynamical Astronomy (DDA).

Approximately 60 percent of the faculty (at the rank of Assistant Professor and above and excluding the faculty of the Feinberg School of Medicine) is tenured. According to the 2018-19 annual survey by the American Association of University Professors, the University ranked 9th among the 60 member institutions of the American Association of Universities in average faculty salaries. Nearly all members of the full-time faculty have earned a doctorate or other terminal professional degree.

ENROLLMENT AND ADMISSIONS

Full-time undergraduate enrollment on the Evanston campus for the 2019 fall quarter was 8,162 while full-time graduate enrollment on that campus for the 2019 fall quarter was 6,524. The full-time enrollment on the Chicago campus for the 2019 fall quarter was 2,345. The full-time enrollment on the Doha, Qatar campus for fall 2019 was 291.

The following table, based on fall quarter registration, shows full-time enrollment (headcount) for the five academic years beginning fall 2015 through fall 2019.

OPENING FALL ENROLLMENTS BY ACADEMIC YEAR - SUMMARY
(Headcount)

	2019-20	2018-19	2017-18	2016-17	2015-16
Undergraduate	8,669	8,579	8,698	8,813	8,770
Graduate & Professional	13,498	13,223	13,013	12,738	12,523
Total Enrollment	22,167	21,802	21,711	21,551	21,293

The following table shows the composite mean SAT scores for the math and reading components of the test for the entering freshman class for the five academic years from fall 2015 through fall 2019:

Academic Year	Mean SAT Score
2015-16	1464
2016-17	1460
2017-18	1460
2018-19	1475
2019-20	1481

The following table shows the composite mean ACT scores for the math and reading components of the test for the entering freshman class for the five academic years from fall 2015 through fall 2019:

Academic Year	Mean ACT Score
2015-16	33
2016-17	33
2017-18	33
2018-19	33
2019-20	33

The recent history of applications, admissions (acceptances for admission), and enrollment is as follows:

	Academic Years				
	2019-20	2018-19	2017-18	2016-17	2015-16
Freshmen Applications	40,586	40,425	37,259	35,107	32,106
Freshmen Admissions	3,674	3,422	3,442	3,743	4,181
Freshmen Enrollment	2,006	1,931	1,903	1,985	2,018
Graduate Applications	17,097	15,858	15,206	13,029	12,453
Graduate Admissions	3,425	3,041	2,569	2,569	2,325
Graduate Enrollment	1,336	1,227	1,178	1,076	988
Law Applications	5,441	5,313	4,472	4,625	4,079
Law Admissions	980	1,027	1,063	823	921
Law Enrollment	243	245	228	215	213
Medical Applications	6,878	7,089	7,516	7,608	6,955
Medical Admissions	439	496	478	470	472
Medical Enrollment	159	160	161	163	164
Kellogg Applications [1]	4,659	5,450	5,570	5,450	5,116
Kellogg Admissions [1]	1,421	1,364	1,299	1,274	1,225
Kellogg Enrollment [1]	701	702	703	703	694

[1] Figures are for Kellogg School of Management day program, and exclude evening, executive and other adjunct programs.

TUITION, ROOM AND BOARD

Tuition rates are determined in the budget process in conjunction with an analysis of anticipated revenue and expenditures for the following year. Annual tuition for the last five academic years is as follows for the programs shown:

Academic Year	Under-Graduate	Graduate	Law	Medical	Management
2015-16	$48,624	$48,624	$58,098	$53,947	$64,059
2016-17	50,424	50,424	59,550	55,889	66,462
2017-18	52,239	52,239	61,784	57,957	68,955
2018-19	54,120	54,120	64,102	59,986	71,544
2019-20	56,232	56,067	66,506	62,088	73,404

Approximately 53 percent of full-time undergraduate students live in residential facilities on the Evanston campus. These facilities include residential colleges, other University residence halls, fraternities, and sororities. Approximately 44 percent of the full-time undergraduate students live in University residences and approximately 9 percent live in fraternity or sorority houses. The balance, approximately 47 percent, either commutes from home or lives off campus.

As part of the University's housing master plan, a new undergraduate residence, 560 Lincoln, opened in August 2017. The hall provides 422 beds for students and is the first of five new residence facilities planned for the Evanston campus. In 2018, renovations were completed on Willard Hall, which houses 261 students.

Housing for graduate and professional students on the Evanston campus is provided in Engelhart Hall and the McManus Living-Learning Center.

Annual room and board charges for the past five academic years are as follows for undergraduates on the Evanston campus (i) in double occupancy rooms in the majority of available residential housing facilities and (ii) with the base plan (14 meals per week):

Academic Year	Annual Room and Board Charges
2015-16	$14,385
2016-17	14,917
2017-18	15,454
2018-19	16,010
2019-20	16,394

For academic year 2019-20, undergraduate tuition increased 3.9 percent, while graduate tuition increased 3.6 percent, and room and board increased 2.4 percent. Overall, undergraduate tuition, fees, and room and board increased 3.5 percent.

FINANCIAL AID

Northwestern assists its students in financing their education by making available student aid plans that combine direct grant assistance, loans, and employment opportunities supported by federally assisted work-study and research programs. In academic year 2018-19, approximately 62 percent of the undergraduate students received some sort of aid, and over 46 percent received University-funded aid.

In fiscal year 2019, the University spent $472.5 million for student aid. The principal source of student aid was appropriated University funds of $364.7 million or 77.2 percent of the total sources. The remaining sources of aid were federal and non-federal grants, endowed funds, and gifts. These sources totaled $107.8 million or 22.8 percent of the total sources. In addition to the above University funds, in fiscal year 2019 the University disbursed student aid received from the following federal grant aid programs: Pell Grant program, the Supplemental Educational Opportunity Grant program, and the College Work-Study program. The University offers several loan options to assist students in financing their education. Federal and state programs are supplemented with programs capitalized by institutional borrowing and loan agreements with quasi-governmental agencies.

Among the federal government loan programs are the Health Professions Loan Program and the Direct Loan program sponsored by the U.S Department of Education. The University participates in the Direct Loan program of the U.S. Department of Education. The Department of Education holds the loans issued under the Direct Loan program, and the University acts as a conduit for those loans. The University is not a lender under the Direct Loan program, and does not have any contingent obligations with respect to such loans. The University participated in the Perkins Loan

Program (formerly the National Direct Student Loan Program). The Perkins loan program expired in 2017 and the last disbursements were June 30, 2018. The University's student finance office continues to service the loans that have been disbursed.

The University uses its own capital to make loans to undergraduates, undergraduate parents, and graduate and professional students. The University periodically enters into financing and seller/servicing agreements with third parties to share risk and realize liquidity from these programs.

The respective financing and seller/servicing agreements establish standards of creditworthiness for loan qualification and operational standards with which the University must comply. Third parties have recourse to the University for loans that exceed agreed-upon limits of cumulative defaulted principal. Under these agreements, the University guarantees payment of (i) certain administrative expenses of the program allocable to the University and (ii) any debt service obligation arising under financing instruments issued to provide funding for the purchase of student loan portfolios. Student loans sold to the third parties are required to have a creditworthy co-borrower (unless, in the case of graduate and professional school students, the student's own credit score exceeded a specified threshold). These loans are covered against death and disability of the student borrower, and if the student is an undergraduate, the primary co-borrower. The maturity of the loans ranges from 10 to 24 years and these loans have a variable interest rate that is established annually.

Further information on the outstanding financial status of these arrangements is detailed in Note 12 of the financial statements included in the 2019 Financial Report in Appendix B.

Various external sources of capital for certain of the University's financial aid programs have either changed or proposed changes to their programs, particularly the federal and state governments, in recent years, usually as a result of fiscal constraints, and additional changes or proposed changes may occur in the future. Northwestern cannot predict the ultimate impact of these changes or proposals on its ability to assist students in financing their education.

LAND, BUILDINGS AND EQUIPMENT

The University's academic and related activities are housed in approximately 227 buildings on two separate lake-front campuses comprising 296 acres in the aggregate. The following table sets forth the depreciated book value of the land, buildings and equipment of the University as of August 31 in the years 2015 through 2019 based on the audited balance sheets of the University:

August 31	Book Value Land, Buildings, and Equipment*
2015	2,043,447
2016	2,368,598
2017	2,933,679
2018	3,258,035
2019	3,320,363

* In thousands of dollars.

INSURANCE

The University maintains self-insurance programs for general liability, automobile liability, automobile physical damage, professional liability, workers compensation, property damage, cyber liability, educator's liability, and certain employee and student insurance coverages. This self-insurance program is implemented primarily through Rubicon Insurance Company ("**Rubicon**"), the University's wholly owned "captive" insurance company, licensed by the State of Illinois. These programs are supplemented with commercial excess insurance and reinsurance above the University's self-insurance retention. The University also carries commercial "all risk" property insurance covering its buildings and their contents.

General and Automobile Liability

As of September 1, 2019, the University maintained coverage in the amount of $242 million per claim for general liability and $242 million per claim for automobile liability, with an aggregate limit for both coverages of $242 million per year. The coverage is divided into eleven layers. The primary self-insurance coverage is $2 million per occurrence for general liability and $1 million for automobile liability. There are nine commercial insurance excess layers over the primary self-insurance. There is one reinsurance layer above the nine commercial insurance excess layers.

Professional Liability

As of September 1, 2019, the University maintained professional liability coverage in the amount of $242 million per claim and in the aggregate, divided into eleven layers of coverage. The primary self-insurance coverage is in the amount of $2 million for each loss/professional incident. Any losses/professional incidents related to clinical trials are also self-insured in the amount of $2 million. There are nine commercial insurance excess layers over the primary self-insurance. There is one reinsurance layer above the nine commercial insurance excess layers. All of the liability insurance referred to above covers the University and its trustees, officers, employees, and faculty (medical and research) for acts within the scope of their duties to the University, as well as all tax-exempt organizations or entities wholly owned or controlled by the University, for allegations of bodily injury, property damage and personal injury (including libel and slander) and professional malpractice.

Cyber Liability

As of September 1, 2019, the University maintained cyber liability coverage in the amount of $10 million per claim and in the aggregate. The primary self-insurance coverage is in the amount of $250,000 per claim. There are two excess commercial insurance layers above the primary self-insurance. There is one reinsurance layer above the two commercial insurance layers. The coverage provided by this insurance covers the University for claims related to unauthorized releases of confidential data.

The Northwestern IT Information Security Office uses the Information Standards Organization's (ISO) Standards for Security Management (27001) and Security Practice (27002) in support of the University's Information Security Management System (ISMS). Northwestern's ISMS is influenced by the University's business plans, needs and objectives, security and compliance requirements, and existing/anticipated operations; it is designed to be responsive and flexible, and accommodating of the University's dynamic environment.

The ISMS is a systematic and measurable approach to establishing an information security practice, emphasizing the importance of:

- understanding an organization's information security requirements,
- implementing and operating controls to manage the risk,
- monitoring and reviewing the performance and effectiveness of the implementation, and
- continual improvement based on objective measurement.

The Information Security Office helps identify risk, establishes priorities for mitigation, and selects and develops the relevant policies and standards for implementation..

Property

As of September 1, 2019, the University maintained 'all-risk' property insurance in the amount of $1.5 billion. The primary self-insurance coverage is in the amount of $250,000 per occurrence, with excess commercial insurance purchased above that amount with one insurer. The insurance covers the University for damage to University property and resulting business impact.

Educator's Legal Liability

As of September 1, 2019, the University maintained $75 million of educator's legal liability insurance. The primary self-insurance coverage is in the amount of $750,000 per claim with three commercial insurers providing excess coverage above that amount. There is one reinsurance layer above the three commercial insurer layers. This insurance provides coverage related to certain student, employee and third party litigation.

Workers Compensation

As of September 1, 2019, the University maintained statutory workers compensation coverage. The primary self-insurance coverage is in the amount of $1 million per claim with statutory commercial coverage with one carrier above that amount. This insurance provides coverage related to employee injuries sustained in the course of employment.

Self-Insurance Description

The University maintains the primary self-insurance coverages, except for workers compensation, through Rubicon. Rubicon writes primary general liability insurance, primary professional liability insurance, primary automobile liability, physical damage insurance, primary cyber liability insurance, primary property insurance and primary educator's legal liability insurance in the limits of coverage as previously indicated. Rubicon writes high excess general liability insurance, excess professional liability insurance, excess automobile liability, excess cyber liability, and excess educator's legal liability insurance on an integrated basis and cedes 100 percent of the risk undertaken to a commercial reinsurance carrier. As a licensed insurance carrier, Rubicon is subject to the insurance laws of the State of Illinois. On February 10, 2019, the University engaged the firm of Mitchell & Titus, LLP to provide audit services for Rubicon. Rubicon's fiscal year is on a calendar year basis.

Rubicon insures the University on both a prospective and retrospective basis. Effective January 29, 1990, all previously self-insured obligations of the University were insured by Rubicon dating back to November 30, 1976. Premiums with respect to Rubicon's prospective and retrospective coverage are actuarially determined to achieve adequate funding. Effective November 1, 2004, Rubicon no longer provided professional liability coverage for the University's medical faculty members in their role as practitioners through their membership in NMG. Such professional liability coverage is now provided by a separate entity. Note 12 of the financial statements included in the 2019 Financial Report in Appendix B provides certain additional information.

Rubicon is legally required to have sufficient reserves to adequately fund its known and reported claims as well as those claims which may have been incurred and not yet reported. With respect to claims that have been reported to Rubicon, the company establishes case reserves jointly through Northwestern University's Office of General Counsel, the University's Office of Risk Management, and outside legal counsel. With respect to reserves for claims incurred but not reported, Rubicon utilizes actuarial evaluations prepared by Willis Towers Watson, an actuarial consulting firm.

Note 12 in the accompanying financial statements of the University included as Appendix B provides additional information regarding self-insurance reserves.

At August 31, 2019, Rubicon had discounted liabilities of $11.5 million, based on a 7.5 percent discount factor, including claims incurred but not yet reported.

SELECTED UNIVERSITY FINANCIAL INFORMATION

Assets and Liabilities

The assets of Northwestern University decreased 1.8 percent from August 31, 2018 to August 31, 2019. Investments, land, buildings and equipment represented 95 percent of the total asset value at August 31, 2019. The following table summarizes the University's Consolidated Statements of Financial Position for fiscal years 2015 to 2019.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of dollars)
As of August 31*

	2015	2016	2017	2018	2019
Total Assets	$ 13,435,775	$ 13,660,177	$ 14,487,467	$ 15,479,786	$ 15,204,175
Total Liabilities	2,642,797	2,645,768	2,804,084	3,235,902	3,176,668
Total Net Assets	10,792,978	11,014,409	11,683,383	12,243,884	12,027,507
Unrestricted	$ 6,822,964	$ 6,986,925	$ 7,338,857		
Temporarily Restricted	2,555,415	2,472,172	2,720,408		
Permanently Restricted	1,414,599	1,555,312	1,624,118		
Without donor restrictions				$ 7,654,758	$ 7,470,942
With Donor Restrictions				4,589,126	4,556,565

*As discussed in Note 1 to the consolidated financial statements, in 2019, the University adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. As such, the categories of "unrestricted, temporarily restricted and permanently restricted" have been replaced with "change in net assets without donor restrictions, change in net assets with donor restrictions and change in total net assets."

The assets of the University are increased principally through management of the University's investment portfolio, gifts to the University, creation of surplus operating revenues, and debt financing.

At August 31, 2019 Bonds Payable related to the University's capital construction accounts totaled $2.15 billion or 67.7 percent of the Total Liabilities of the University.

Changes In Financial Position

The following table summarizes the University's Consolidated Statements of Activity for fiscal years 2015 through 2019.

SUMMARY OF CONSOLIDATED STATEMENTS OF ACTIVITY
(IN THOUSANDS OF DOLLARS)
FISCAL YEAR ENDED AUGUST 31*

	2015	2016	2017	2018	2019
Unrestricted Operating Revenues:[1]					
Tuition and fees, gross	$ 911,130	$ 963,001	$ 1,008,586	$ 1,071,402	$ 1,124,215
Less financial aid	(343,380)	(381,713)	(419,944)	(451,121)	(472,537)
Tuition and fees, net	567,750	581,288	588,642	620,281	651,678
Auxiliary services	77,226	79,036	80,812	83,907	92,131
Grants and contracts	565,589	595,774	617,448	648,008	696,552
Private gifts	202,428	200,892	199,630	216,935	236,308
Investment return designated for operations	334,562	357,775	445,137	482,747	446,447
Sales and services	154,686	161,615	171,289	209,690	215,629
Professional Fees	24,150	31,345	34,929	38,448	41,795
Royalties, trademarks and other income[2]	78,713	42,029	12,710	-	-
Net assets released from restrictions	228,267	219,721	197,968	207,762	199,383
Total Unrestricted Operating Revenues	2,233,371	2,269,475	2,348,565	2,507,778	2,579,923
Total Operating Expenses	2,033,333	2,166,154	2,297,296	2,459,183	2,511,191
Excess of Unrestricted Operating Revenues Over Expenses	$ 200,038	$ 103,321	$ 51,269	$ 48,595	$ 68,732

[1] Excludes non-operating revenues, gains and losses

[2] Royalties, trademarks and other income are included in Sales and Services beginning in FY 2018

Management's Discussion and Analysis of Selected University Financial Information

Fiscal Year 2019

Over the past seven years, the University made significant investments in capital, the student experience and financial aid, and faculty recruitment. The impact of these investments led to a period of stress on operating performance. Incremental endowment payouts in support of strategic initiatives were drawn in fiscal years 2017, 2018, and 2019, in the amounts of $75 million, $100 million, and $50 million respectively. A special payout of $25 million is planned for FY 2020. Additionally, cost containment measures were put in place, along with budget reallocations, and a more robust and transparent budget and planning process paired with systematic budget controls, to manage the finances more effectively. The University's collective efforts to balance strategic objectives with financial capacity led to a $68.7 million operating surplus for fiscal year 2019. The University's financial position remains strong, with over $15 billion in assets, and $12 billion in net assets constituting an 11.4% increase over FY15 levels. The success of the **We Will** campaign, which met its original $3.75 billion target and is now on track to surpass $5 billion, attests to a broad confidence in the University's ability to build an innovative and inclusive institution with an enduring global impact.

GRANTS AND CONTRACTS

In the University's fiscal year ended August 31, 2019, revenue from federal funding of research and sponsored programs at the University was $518.2 million, a 7.0 percent increase compared to $484.4 million awarded in the previous fiscal year. The principal sources of federal support in 2018-19, listed as percentage of the total award activity by sponsor for 2018-19 were: Department of Health and Human Services at 53.2 percent; National Science Foundation at 7.7 percent; Department of Defense at 6.3 percent; and other federal funding sources at 6.4 percent. In 2018-19 federal funding accounted for approximately 74.4 percent of total sponsored research revenue ($696.6 million). While the University believes it will be able to maintain federal support for research quality and activity at or near current levels, there can be no assurance that reductions in federal support will not occur.

Grants and Contracts by Type (in $000's)

Fiscal Year Ended 31-Aug	Federal Grants	Private Grants and Contracts	State Grants	Total
2015	$ 408,533	$ 154,017	$ 3,039	$ 565,589
2016	444,304	147,960	3,510	595,774
2017	461,741	151,041	4,666	617,448
2018	484,398	159,565	4,045	648,008
2019	518,244	174,477	3,831	696,552

INVESTMENTS

The following table sets forth the fair value of the University's investments as of August 31 of each fiscal year from 2015 through 2019. Investments include the Long-Term Balanced Pool, cash, and separately invested University holdings.

Fiscal Year Ended August 31	Fair Value (in thousands of dollars)
2015	$10,497,764
2016	10,312,782
2017	10,717,787
2018	11,287,087
2019	11,079,424

* Amounts shown reflect fair value of cash and cash equivalents for investments.

Notes 1, 4 and 9 in the financial statements included in the 2019 Financial Report in Appendix B provide certain additional information regarding the University's investments. For additional information, see the "Investment Report" of the University's Vice President and Chief Investment Officer included in the University's 2019 Financial Report.

ENDOWMENT ASSET ALLOCATION

Northwestern's endowment portfolio is diversified across a range of strategies in the U.S. and international financial markets. At August 31, 2019 the pooled endowment funds were invested as follows:

Endowment Asset Class	Allocation at 8/31/2019
Public equity	29%
High-yield credit	2%
Absolute return	18%
Private investment	26%
Real assets	16%
	92%
Fixed income and cash	8%
Total	100%

ENDOWMENT SPENDING POLICY

Northwestern's spending guidelines blend two elements: (i) market element, which adjusts annual endowment spending to the long-term sustainable target spending of 4.35% of the average actual market value of the endowment for the 12-months ended October 31 of the prior fiscal year and receives 30% weighting in the spending rate calculation; and (ii) spending element, which increases the previous year's spending rate by actual inflation plus budget growth (1.5%) and receives 70% weighting in the spending rate calculation. The spending rate for FY 2019 was 4.6%.

Endowment Spending Policy

Payout Determined by Spending Guideline, Fiscal Years 2015 to 2019

	2015	2016	2017	2018	2019
Spending per unit	$ 9.23	$ 9.71	$ 10.01	$ 10.15	$ 10.44
Net asset value per unit	$ 237.19	$ 230.26	$ 241.97	$ 252.03	$ 244.97
Annual spending rate*	3.78%	4.07%	4.85%	4.92%	4.55%
Total (in millions)	$ 378.74	$ 409.44	$ 505.52	$ 541.38	$ 508.75
Growth in total spending	8.21%	8.11%	23.47%	7.90%	-6.03%

* Annual spending rate is calculated as spending per unit divided by the two-year average net asset value per unit after distribution of the annual contribution to the budget. Strategic investment payouts for the fiscal years 2019, 2018, and 2017 are included.

In Fiscal Year 2020, given the endowment's recent drop in market value driven by the COVID-19 pandemic, the University plans to temporarily increase the rate of payout from the endowment, with the acknowledgement of the need to return as soon as possible to the normal rate.

LIQUIDITY

The University considers the needs for operations, the endowment, and the debt portfolio, in its liquidity management framework. The Investment Office, together with Financial Operations, Alumni Relations and Development, and the Budget Office meet regularly to review University liquidity and develop future strategy. On a quarterly basis, Financial Operations voluntarily discloses on EMMA a snapshot of all assets with daily liquidity. At March 31, 2020, the University's total daily liquidity was $1.28 billion, disclosed on EMMA as follows:

University Assets with Same-Day Liquidity at 3/31/20

	Amount ($000s)
Money Market Funds: SEC 2a-7, rated Aaa-mf by Moody's	$519,969
Checking and deposit accounts at P-1 rated bank	291,798
Repurchase Agreements: Overnight and collateralized by Treasuries/Agencies; P-1 rated counterparty	0
US Treasuries & Agencies with less than 2-year maturity which have daily liquidity	80,876
US Treasuries & Agencies with 2 to 10-year maturity which have daily liquidity	277,625
US Treasuries & Agencies with 10-year or longer maturity which have daily liquidity	107,183
Other	0
Total Daily Liquidity	$1,277,451

At March 31, 2020, the University had established credit capacity of $750 million in uncollaterized, standby lines of credit across six banks to supplement working capital requirements. Established bank credit lines, expiry dates and outstanding draws at March 31, 2020 are shown below:

Expiration	Established Credit	Drawn at March 31, 2020
3/31/2022	250,000,000	200,000,000
7/31/2020[1]	175,000,000	160,000,000
7/30/2021	150,000,000	120,000,000
4/19/2021	125,000,000	50,000,000
6/30/2020[1]	25,000,000	-
12/6/2020[1]	25,000,000	-
Total	750,000,000	530,000,000

(1) Upcoming renewals are expected to be either renewed with existing banking partners or replaced with new banking partners

As of March 1, 2020 the University had $80 million in drawn bank credit. On March 20, 2020 the University proactively executed $450 million in additional credit line draws, with all proceeds held in cash reserves, given uncertainty related to COVID-19. The range of all-in borrowing costs on $530 million in drawn credit was 1.1% to 1.5%. In addition to cash held from $530 million in drawn bank credit, at March 31, 2020 the University had $220 million in bank credit available to borrow.

Under the terms of the lines of credit, the obligation of the respective banks to fund draws thereunder are conditioned on compliance by the University with its covenants thereunder and its long-term credit rating not being withdrawn or suspended or reduced below specified levels by Moody's Investors Service, Inc., and S&P Global Ratings, and, in some cases by Fitch Ratings, Inc. Such covenants include, among others, a covenant by the University to not create any liens on its properties except for certain permitted liens specified thereunder. Upon the occurrence of an event of default under any of the lines of credit, the related bank may immediately accelerate all amounts payable thereunder.

In April 2020, the Board authorized an increase in University bank credit capacity from $750 million to $1.0 billion.

GIFTS

The University has a demonstrated record of fund-raising success. The following table sets forth University gift revenue for the five fiscal years ended August 31, 2015 through August 31, 2019.

GIFT REVENUE
(in thousands of dollars)

Fiscal Year Ended August 31	Unrestricted	Temporarily restricted	Permanently restricted	Total
2015	$202,428	$121,162	$166,810	$490,400
2016	200,892	82,903	142,131	425,926
2017	199,630	95,118	74,523	369,271
2018	216,935	41,994	78,289	337,218
2019	236,308	21,493	61,042	318,843

The University has ongoing fund raising campaigns for targeted programmatic and capital initiatives at the current time.

OUTSTANDING LONG-TERM INDEBTEDNESS

General

As of August 31, 2019, the University had outstanding bonded indebtedness in the aggregate principal amount of $2.15 billion (including unamortized discount and premium) but excluding notes, and other debt payable. Of this bonded indebtedness, the Series 2004 Bonds and the Series 2008 Bonds (together, the "**Variable Rate Bonds**") were then and are now outstanding in the aggregate principal amount of $260.8 million and bear interest at weekly interest rates. The debt service requirements under the bonds and notes are general obligations of the University. Note 8 in the financial statements included in the 2019 Financial Report in Appendix B provides detail of the University's outstanding long term debt as of August 31, 2019.

Self-Liquidity for Variable Rate Bonds

The University has agreed under the loan agreements for the Variable Rate Bonds to pay the purchase price of Variable Rate Bonds that are tendered for purchase in accordance with their terms and not remarketed.

The primary sources of University funds available for such purpose are the University's internally managed investment pools and working capital, which are currently used to account for substantially all of the cash and investment assets of the University. Although not all assets held in such investment pools or as working capital would be readily available for such purpose and such assets are not expressly pledged or earmarked for such purpose, the University expects to have sufficient assets to meet its commitments under the loan agreements from such sources that would be so available. At August 31, 2019 the University has authorization to utilize the commercial paper market to borrow up to $300 million of working capital, and has established uncollateralized bank lines of credit of $750 million. In April 2020, the Board of Trustees authorized an increase in University credit capacity to $1.0 billion.

Note 4 in the financial statements included in the 2019 Financial Report in Appendix B provides additional information regarding the University's investments.

FUTURE LONG-TERM INDEBTEDNESS

Subject to (among other things) approval by the Board (or its Executive Committee) and the financing needs of the University, the University may incur additional indebtedness in the future to, among other things, refinance existing debt, or raise capital for general corporate purposes.

DERIVATIVE FINANCIAL INSTRUMENTS

As of August 31, 2019, the University had in place three interest-rate swap agreements to hedge variable interest rate exposure on a portion of the outstanding Variable Rate Bonds. The agreements effectively fixed the interest rate on the Series 2008 Variable Rate Bonds at interest rates ranging from 4.12 percent to 4.38 percent and expire on August 31, 2023. The notional value of the agreements is approximately $125 million. The University recognized a net unrealized loss on the swap investment totaling $3.1 million and a net unrealized gain totaling $7.4 million, respectively, for the fiscal years ended August 31, 2019 and 2018.

Note 4 in the financial statements included in the 2019 Financial Report in Appendix B provides additional information regarding the swap agreements.

TAXABLE COMMERCIAL PAPER

The University has authority to issue up to $300 million in taxable commercial paper. The University had $300 million and $260 million of its commercial paper outstanding at August 31, 2019 and August 31, 2018, respectively. At March 31, 2020, the University had $300 million in issued (outstanding) commercial paper. In April 2020, the Board authorized the refinancing of all outstanding commercial paper through the issuance of Bonds. The University intends to keep the commercial paper facility in place and on stand-by after the current commercial paper is refinanced, although the University has no present plans to borrow under it.

LITIGATION AND IRS TAX AUDIT

There is no litigation pending or, to its knowledge, threatened against the University which if resolved adversely to the University, is reasonably expected to have a material adverse effect on the University's financial position or operations.

In the summer of 2019 the Internal Revenue Service concluded its limited examination of the University's Form 990 for fiscal years ended August 31, 2015, August 31, 2016 and August 31, 2017. The audit findings consisted of (i) a favorable material increase in net operating loss carryforward, (ii) an immaterial deduction denial for certain insurance expenses associated with taxable unrelated business activity, (iii) findings of understatement of employment income associated with certain employee perquisites, and (iii) a reclassification of income associated with the arrangement between the University and its sports-marketer thereby characterizing a subset of royalty fee as unrelated business income for services (this reclassification represented less than .03% of overall University revenue).

EMPLOYEE RELATIONS

The University has approximately 11,339 full-time and part-time employees. Of the employees, 280 (principally maintenance workers, tradespeople and University police) are represented by four unions. Generally, the University believes that its employee relations are satisfactory.

RETIREMENT PLANS AND BENEFITS

The University maintains two contributory retirement plans for its eligible faculty and staff. The plans offer eligible employees the choice of investment company options, consisting of Teachers Insurance and Annuity Association (TIAA), College Retirement Equities Fund (CREF), and the certain mutual funds offered by Fidelity Investments. Participating employee and University contributions are immediately vested. The University contributed $82.5 million and $81.5 million to the two plans in 2019 and 2018, respectively.

The University currently sponsors a health care plan permitting retirees to continue participation on a "pay-all" basis; it has no liability for participants past age 65. The retiree contribution is based on the average per-capita cost of coverage for the plan's entire group of active employees and retirees rather than the per-capita cost for retirees only. Retirees are also eligible to participate in certain tuition reimbursement plans and may receive a payment for sick days accumulated at retirement. Certain postemployment benefit plans are also sponsored.

The University funds the plan on a pay-as-you go basis. The following table sets forth the postretirement plan's obligations, benefits paid, contributions, net periodic postretirement benefit cost, and assets (in thousands of dollars):

	August 31, 2019	August 31, 2018
Benefit obligations	$13,663	$15,924
Benefits paid	1,742	1,473
Employer contributions	1,059	816
Contributions from participants	683	656
Net periodic postretirement benefit cost	1,307	1,299
Fair value of plan assets	---	---

Note 10 in the financial statements included in the 2019 Financial Report in Appendix B provides additional information regarding retirement plans and benefits.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization and began an unprecedented time of uncertainty. On March 9, 2020 the Governor of the State of Illinois declared a state of emergency, and the Mayors of Evanston and Chicago followed suit on or around March 15.

Northwestern's response to the pandemic has been focused on the health and well-being of the campus community, with the implementation of the following: (i) delivery of instruction through remote learning for the entire spring quarter as most students have left campus, (ii) permitting only essential faculty and staff remain on campus to support core operations and research, aligned with current guidance from the State of Illinois, and (iii) summer programs and activities scheduled to begin prior to July 12, 2020, will be offered remotely.

The pandemic has had financial repercussions worldwide, and like most institutions of higher education, the University expects pressure on nearly all revenue streams. The COVID-19 pandemic may have a material adverse effect on the University's financial profile and operating performance. The full impact on Northwestern's finances and operations cannot be determined at this time. However, steps have been taken to mitigate the financial impact, including: proactive draws on bank lines of credit to increase cash on hand (see "Liquidity" herein); temporary furlough of approximately 250 staff, temporary suspension of the University's retirement contribution for faculty and staff, temporary executive pay reductions, elimination of salary increases for fiscal year 2021, temporary hiring restrictions, temporary deferral of certain travel, discretionary spending, and capital projects.

For further discussion of the potential risks associated with the COVID-19 pandemic, see "INVESTMENT CONSIDERATIONS – COVID-19" in the front portion of this Offering Circular.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

NORTHWESTERN UNIVERSITY 2019 FINANCIAL REPORT, INCLUDING AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018

[THIS PAGE INTENTIONALLY LEFT BLANK]

Northwestern

2019 FINANCIAL REPORT

Report of the Senior Vice President for Business and Finance

Dear Northwestern University Board of Trustees,

Fiscal year 2019 marked the culmination of a historic investment period that fueled Northwestern's rise within the ranks of the world's premier research institutions. Our collective efforts to balance strategic objectives with financial capacity led to a $68.7 million surplus for the year. Our financial position remains strong, with over $15 billion in assets. The success of the **We Will** campaign, which met its original $3.75 billion target and is now on track to surpass $5 billion, attests to a broad confidence in our ability to build an innovative and inclusive institution with an enduring global impact.

This unprecedented period of growth has cemented the University's top-10 national ranking. In the past year, Northwestern opened the Louis A. Simpson and Kimberly K. Querrey Biomedical Research Center, the largest building dedicated to biomedical research at any medical school in the country, and the newly renovated Welsh-Ryan Arena, a venue offering a state-of-the-art athlete and spectator experience. These projects were the capstone of an ambitious investment in growing the research enterprise, recruiting and retaining key faculty, and elevating the student experience. Deployment of unrestricted reserves absorbed the operating impact of our strategic plan.

Fiscal year 2020 will see the University return to more traditional levels of capital spending as we pursue initiatives to support our faculty and students and invest in our physical and technological infrastructure. We remain committed to positive operating performance and the wise investment of assets in order to serve future generations as ably as we have served the current one.

Our successes are built on the steadfast commitment of Northwestern's faculty, staff, students, alumni, trustees, and friends. I am deeply grateful to serve alongside you as stewards of this great University.

Craig Johnson
Senior Vice President for Business and Finance

EXCELLENCE

TODAY NORTHWESTERN CAN CLAIM A HISTORICALLY HIGH LEVEL OF ACADEMIC QUALITY.

#13 2015 → **#9** 2019

U.S. News and World Report national university ranking

FACULTY RETENTION

2/3

of faculty who received outside offers in the past 10 years chose to stay at Northwestern

6:1

Student-to-faculty ratio

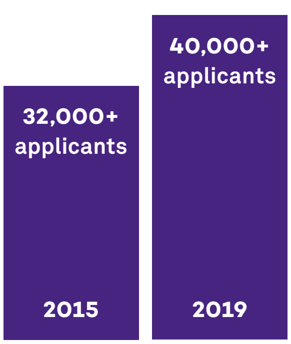
CLASS OF 2023

2,010

first-year students

8.5%

Acceptance rate



AFFORDABILITY

NORTHWESTERN HAS INCREASED ITS COMMITMENT TO FINANCIAL AID AND ATTRACTING A DIVERSE STUDENT BODY.

“When I received my financial aid package from Northwestern, I was blown away. Now I can focus on my studies without worrying about student loans.”

–Hannah Whitehouse ’20

Undergraduate scholarships awarded

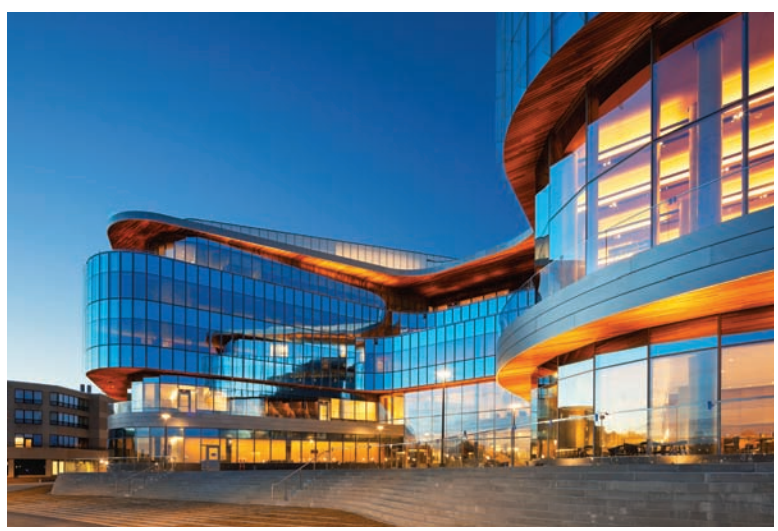
Beginning in fall **2016**, all incoming students receive **LOAN-FREE** financial aid.

15% 2015 → **20%** 2019

Percent of incoming class eligible for Pell Grants

SPACES

NEW CONSTRUCTION AND THE RENOVATION OF EXISTING SPACES ON NORTHWESTERN’S CAMPUSES SUPPORT UNIVERSITY PRIORITIES FOR GENERATIONS TO COME.



RESEARCH

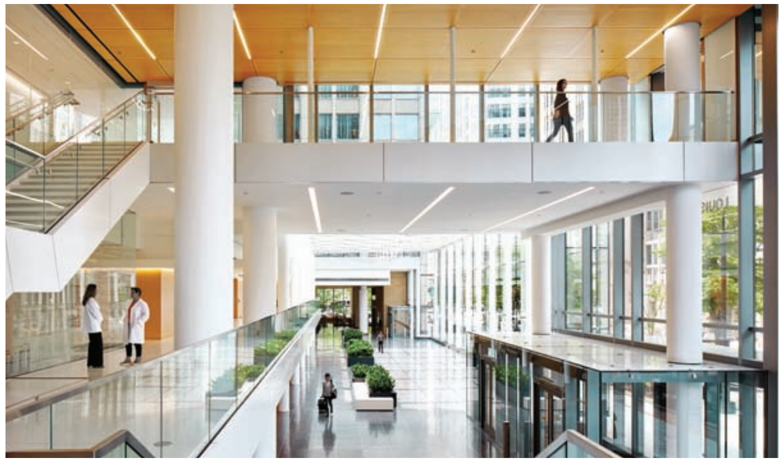
OUR RESEARCH COMMUNITY ADVANCES KNOWLEDGE ACROSS FIELDS, FROM PIONEERING ASTROPHYSICS DISCOVERIES TO STUDIES LEADING TO BETTER OUTCOMES FOR CHILDREN.

$351 million
National Institutes of Health funding, a

91%
increase over the past 10 years

90
school-based centers

50+
University research centers



Northwestern Opens Largest Biomedical Academic Research Building in US

The Louis A. Simpson and Kimberly K. Querrey Biomedical Research Center, the largest new building solely dedicated to biomedical research at an American medical school, officially opened in 2019.

The center provides Northwestern—the fastest-growing research enterprise among all US medical schools—with much-needed biomedical research space to continue its projected growth.

RESEARCH FUNDING

$620 million (2015) → **$800** million (2019)

The new home of Northwestern Athletics and Recreation, the Walter Athletics Center serves as the day-to-day hub for more than 500 student athletes across all 19 varsity programs.

The renovated Welsh-Ryan Arena reopened after a 19-month transformation. The finished product provides a world-class competitive setting for Northwestern athletic teams.

ATHLETICS

THE OPENING AND RENOVATION OF TWO MAJOR SPACES CAP A MULTIYEAR PROCESS TO PROVIDE WORLD-CLASS ATHLETIC FACILITIES AND BETTER INTEGRATE STUDENT ATHLETES INTO THE CAMPUS COMMUNITY.

98%
NCAA graduation success rate, among the top 4 of NCAA Division I schools

2018
Big Ten West football champions

Investment Report

For the fiscal year ended August 31, 2019, the University's endowment posted a gain of 2.5 percent. The gain was achieved in a volatile environment for markets, with the MSCI ACWI Index falling 0.3 percent in the period. The fiscal year began with a sharp sell-off in 2018's fourth quarter, which was followed by a strong recovery through the fiscal year end. This highlights the importance of the endowment's diversification across asset classes. Strong returns in private equity, venture capital, and fixed income drove the positive results in the period, while equities, real assets, and absolute return were drags on relative performance.

The market value of the Long-Term Balanced Pool was $10.8 billion at fiscal year end, a decline from $11 billion at August 31, 2018. Investment gains of $295 million and other inflows were more than offset by spending and administrative support of $589 million. On August 31, 2019, the University's investment assets—including the Long-Term Balanced Pool, cash, and separately invested University holdings—totaled $11.1 billion.

Long-Term Balanced Pool Spending Guideline

To sustain the Long-Term Balanced Pool's long-term earnings ability and provide adequate resources to the University, the Board of Trustees in fiscal year 2006 ratified a revised spending guideline that blends two elements:

- **Market element** adjusts annual endowment spending to the long-term sustainable target spending of 4.35 percent of the average actual market value of the endowment for the 12 months ended October 31 of the prior fiscal year. This component of the spending rate receives a 30 percent weighting in the spending rate calculation.
- **Spending element** increases the previous year's spending rate by actual inflation plus budget growth (1.5 percent). This element of the spending rate receives a weight of 70 percent.

The spending rate for fiscal year 2019 was 4.6 percent, which includes a $50 million payout to support strategic investment in addition to regular spending. The amount per unit for fiscal year 2020, calculated using the guideline above, is $10.88.

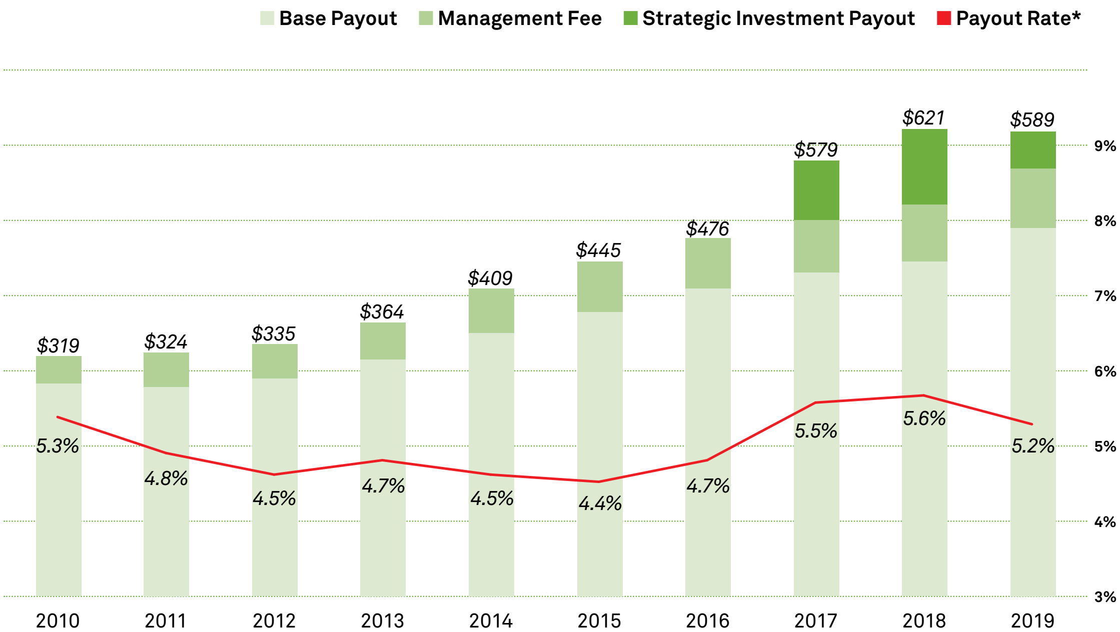
Payout Determined by Spending Guideline, Fiscal Years 2015–19

	2015	*2016*	*2017*	*2018*	*2019*
Spending per unit	$9.23	$9.71	$10.01	$10.15	$10.44
Net asset value per unit	$237.19	$230.26	$241.97	$252.03	$244.97
Annual spending rate*	3.78%	4.07%	4.85%	4.92%	4.55%
Total *(in millions)*	$378.74	$409.44	$505.52	$541.38	$508.75
Growth in total spending	8.21%	8.11%	23.47%	7.90%	-6.03%

** Annual spending rate is calculated as spending per unit divided by the two-year average net asset value per unit after distribution of the annual contribution to the budget. Strategic investment payouts for fiscal years 2019, 2018, and 2017 are included.*

Annual spending, which is calculated according to the endowment spending guideline, has grown significantly over the past several years, as charted below.

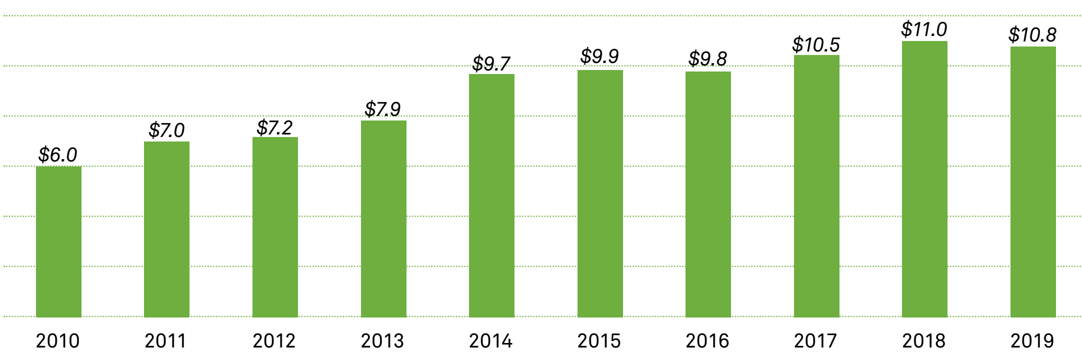
Growth in Annual Payout, Fiscal Years 2010–19 *(in millions)*



** Total payout as a percentage of endowment includes payout, management fee, and strategic investment payout as a percentage of prior two-year average endowment net asset value per unit.*

The long-term compounding of investment gains, generous gifts from donors, and other inflows have enabled the Long-Term Balanced Pool to deliver rising levels of financial support to Northwestern—while also growing in value to provide for future generations of scholars.

Long-Term Balanced Pool: Market Value at Fiscal Year End, 2010–19 *(in billions)*



Asset Allocation for the Long-Term Balanced Pool

The Investments Committee of the University annually reviews the asset allocation policy for the Long-Term Balanced Pool. At the beginning of fiscal year 2019, the committee ratified the Investment Office's recommendation to reaffirm existing targets and ranges. Subjective considerations such as liquidity and inflation/deflation protection were also part of the analysis.

The following table displays the current asset allocation policy for the University. Reflecting the Investment Office's bias against market timing or tactical asset allocation as a primary driver of value added, actual allocations varied from targeted levels by modest amounts, except in the private investments category; the 4.4 percent overweight to private investments was primarily due to both strong performance and the fact that many of the University's venture capital managers are holding portfolio companies for longer periods before seeking liquidity. The Investment Office will review the asset allocation mix in fiscal year 2020 and recommend changes to existing targets and ranges to address the variance.

Policy Portfolio Targets and Ranges

	Range	*Target*	*August 31, 2019*	*Difference*
US equity	10–16%	13%	12.9%	-0.1%
International equity	14–20%	17%	16%	-1%
Fixed income	5–11%	8%	8%	0%
High-yield credit	0–10%	5%	2.4%	-2.6%
Absolute return	15–23%	19%	17.9%	-1.1%
Private investments	18–26%	22%	26.4%	4.4%
Real assets	12–20%	16%	16.1%	0.1%
Cash		0%	0.3%	0.3%

Investment Performance for the Long-Term Balanced Pool: Preserving Purchasing Power and Growing Income

The principal objective for Northwestern's Long-Term Balanced Pool is to preserve purchasing power and to provide a growing stream of income to fund University programs. The pool seeks to achieve an annual total rate of return (i.e., actual income plus appreciation) equal to inflation plus actual spending. The objective of preserving purchasing power emphasizes the need for a long-term perspective in formulating both spending and investment policies.

Historically, the University's investments have grown at a rate exceeding the objective, as shown in the table below. For the 12 months ended August 31, 2019, the portfolio increased 2.5 percent, underperforming the objective by 4.6 percent. For the 10- and 15-year periods, the portfolio outperformed the objective by 2.2 percent and 1.5 percent, respectively. For the 3-year period, despite spending plus the management fee growing to 5.5 percent on an annualized basis, the portfolio still outperformed the objective by 0.5 percent.

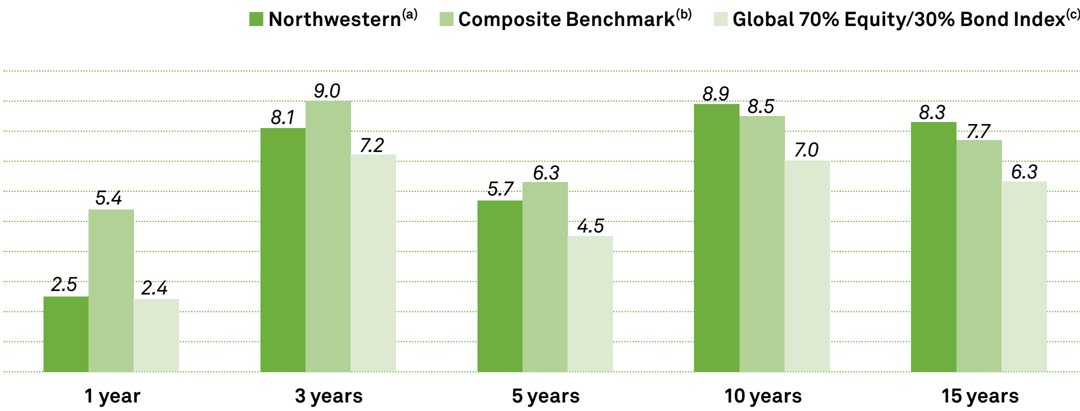
Annualized Returns: Exceeding the Objective (as of August 31, 2019)

	1-year	**3-year**	**5-year**	**10-year**	**15-year**
*Annual total return**	2.5%	8.1%	5.7%	8.9%	8.3%
– Spending	4.6%	4.8%	4.4%	4.3%	4.1%
– University management fee and support	0.7%	0.7%	0.7%	0.7%	0.7%
– Inflation	1.8%	2.1%	1.5%	1.7%	2.0%
= Above or below objective	**-4.6%**	**0.5%**	**-0.9%**	**2.2%**	**1.5%**

** Total returns are net of fees and are calculated on annual changes in net asset value. They may differ from payout distributions.*

The Long-Term Balanced Pool's investment performance relative to selected benchmarks for the fiscal year and over multi-year periods is shown in the chart below. The endowment's long-term results reflect the portfolio's ability to perform across a range of market conditions. Its success is based on diversification and the University's partnership with skilled money managers to meet investment objectives over long time horizons.

Long-Term Balanced Pool: Annualized Net Performance Relative to Selected Benchmarks *(in percentages)*



[a] *Northwestern's returns are net of investment manager fees.*
[b] *An internal benchmark consisting of market indices weighted by the target policy portfolio*
[c] *A stock/bond mix representative of the MSCI All Country World Investable Index and the Barclays Capital Global Aggregate Bond Index*

The Long-Term Balanced Pool: In Conclusion

We continue to believe the Long-Term Balanced Pool is poised to grow and support the University's needs. Despite continued concerns that expected returns in the next 10 years will be lower than in the previous decade, Northwestern leadership retains its long-term focus and is confident in the portfolio's prospects.

William H. McLean

William H. McLean
Vice President and Chief Investment Officer

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
Northwestern University:

We have audited the accompanying consolidated financial statements of Northwestern University (the University), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 these 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 the auditors' 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, the auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Northwestern University as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1 to the consolidated financial statements, in 2019, the University adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Our opinion is not modified with respect to these matters.

KPMG LLP

Chicago, Illinois
December 20, 2019

Consolidated Statements of Financial Position

As of August 31, 2019 and 2018

(in thousands of dollars)	*2019*	*2018*
Assets		
Cash and cash equivalents	$155,469	$185,535
Accounts receivable, *net*	199,535	273,954
Contributions receivable, *net*	293,705	311,458
Notes receivable, *net*	143,976	151,666
Investments	11,079,424	11,287,087
Land, buildings, and equipment, *net*	3,320,363	3,258,035
Other assets	11,703	12,051
Total assets	**15,204,175**	**15,479,786**
Liabilities		
Accounts payable and accrued liabilities	206,020	204,237
Deferred revenue	231,456	302,709
Deposits payable and actuarial liability of annuities payable	168,564	154,743
Government advances for student loans	19,064	19,077
Bonds, notes, and other debt payable, *net*	2,551,564	2,555,136
Total liabilities	**3,176,668**	**3,235,902**
Net assets		
Without donor restrictions	7,470,942	7,654,758
With donor restrictions	4,556,565	4,589,126
Total net assets	**12,027,507**	**12,243,884**
Total liabilities and net assets	**$15,204,175**	**$15,479,786**

See Notes to the Consolidated Financial Statements, beginning on page 14.

Consolidated Statements of Activities

For the fiscal years ended August 31, 2019 and 2018

(in thousands of dollars)	*2019*	*2018*
Net assets without donor restrictions		
Operating revenues		
Tuition and fees *(net of aid, $472,537 in 2019 and $451,121 in 2018)*	$651,678	$620,281
Auxiliary services	92,131	83,907
Grants and contracts	696,552	648,008
Private gifts	236,308	216,935
Investment return designated for operations	446,447	482,747
Sales and services	215,629	209,690
Professional fees	41,795	38,448
Net assets released from restrictions	199,383	207,762
Total operating revenues	**2,579,923**	**2,507,778**

Operating expenses		
Salaries, wages, and benefits	1,439,159	1,420,531
Services, supplies, maintenance, and other	820,166	819,272
Depreciation	165,142	150,732
Interest on indebtedness	86,724	68,648
Total operating expenses	**2,511,191**	**2,459,183**
Excess of operating revenues over expenses	**$68,732**	**$48,595**

Consolidated Statements of Activities continued on next page.
See Notes to the Consolidated Financial Statements, beginning on page 14.

Consolidated Statements of Activities (continued)

For the fiscal years ended August 31, 2019 and 2018

(in thousands of dollars)	*2019*	*2018*
Nonoperating revenues and expenses		
Private gifts and grants for buildings and equipment	$4,430	$2,853
Investment return, reduced by operating distribution	(263,655)	258,375
Change in value of derivative instruments	(3,072)	7,419
Other revenues (expenses), *net*	9,794	(1,386)
(Deficit) excess of nonoperating revenues over expenses	**(252,503)**	**267,261**
Change in net assets without donor restrictions	**(183,771)**	**315,856**

Net assets with donor restrictions

Private gifts and grants for buildings and equipment	1,800	40
Restricted private gifts	82,535	120,283
Net loss on annuity obligation	(2,993)	(552)
Investment return	85,435	332,636
Net assets released from restrictions	(199,383)	(207,762)
Change in net assets with donor restrictions	**(32,606)**	**244,645**
Change in total net assets	**(216,377)**	**560,501**
Beginning net assets	**12,243,884**	**11,683,383**
Ending net assets	**$12,027,507**	**$12,243,884**

See Notes to the Consolidated Financial Statements, beginning on page 14.

Consolidated Statements of Cash Flows

For the fiscal years ended August 31, 2019 and 2018

(in thousands of dollars)	*2019*	*2018*
Cash flows from operating activities		
Change in net assets	($216,377)	$560,501
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	165,142	150,732
Losses on disposals, retirements, and sales of buildings and equipment, *net*	11,411	41,907
Accretion of issuance costs, premiums, and discounts, *net*	(637)	(174)
Change in allowance for student loans receivable and bad debt expense	11,107	467
Realized and unrealized gains on investments, *net*	(233,130)	(1,036,599)
Gifts of contributed securities	(21,836)	(35,376)
Proceeds from sale of unrestricted contributed securities	16,421	19,053
Change in value of derivative instruments	3,072	(7,419)
Restricted contributions received for long-term investment and capital projects	(41,601)	(61,873)
Changes in assets and liabilities		
Accounts receivable	74,431	(10,347)
Contributions receivable	6,224	1,282
Other assets	348	(2,719)
Accounts payable and accrued liabilities	18,565	(47,424)
Deposits and annuities payable	13,821	(1,436)
Deferred revenue	(71,253)	24,856
Government advances for student loans	(13)	(11,482)
Net cash used in operating activities	**(264,305)**	**(416,051)**

Cash flows from investing activities		
Purchases of investments	(1,570,009)	(1,647,796)
Proceeds from sales of investments	2,021,288	2,127,728
Acquisitions of land, buildings, and equipment	(264,256)	(556,940)
Proceeds from sale of buildings or equipment	521	297
Student loans disbursed	(29,006)	(23,157)
Principal collected on student loans	23,109	23,317
Other	(3,018)	(13,430)
Net cash provided by (used in) investing activities	**178,629**	**(89,981)**

Cash flows from financing activities		
Proceeds from issuance of notes, bonds, and other debt payable	40,000	615,000
Payments for debt issuance costs	—	(2,522)
Principal payments on notes, bonds, and other debt payable	(42,935)	(97,770)
Proceeds from sale of restricted contributed securities	5,415	16,323
Restricted contributions received for long-term investment and capital projects	53,130	67,913
Net cash provided by financing activities	**55,610**	**598,944**

(Decrease) increase in cash and cash equivalents	**(30,066)**	**92,912**
Cash and cash equivalents at beginning of year	**185,535**	**92,623**
Cash and cash equivalents at end of year	**$155,469**	**$185,535**

Supplemental disclosure of cash flow information		
Change in accrued liabilities for construction in progress	($24,854)	($39,648)
Capitalized interest	7,035	20,889
Cash paid for interest	93,757	85,382

See Notes to the Consolidated Financial Statements, beginning on page 14.

Notes to the Consolidated Financial Statements

For the fiscal years ended August 31, 2019 and 2018

1. Summary of Significant Accounting Policies

University Activities

Northwestern University (Northwestern or the University) is a major private research university with more than 21,000 students enrolled in 12 academic divisions on two lakefront campuses in Evanston and Chicago and an international campus in Doha, Qatar.

Northwestern's mission is to provide the highest-quality education for its students, to develop innovative programs in research, and to sustain an academic community that embraces these enterprises.

Basis of Accounting

General

The University maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with US generally accepted accounting principles (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the source of authoritative GAAP. The University prepares its consolidated financial statements in accordance with the Not-for-Profit Entities Topic of the FASB ASC. These statements include all wholly owned subsidiaries. All significant interentity transactions and accounts have been eliminated in consolidation.

Net Asset Classifications

Net assets and related changes therein are classified into two categories based on the existence or absence of donor-imposed restrictions. For further discussion of the classification of donor-restricted endowment funds and disclosures about both donor-restricted and institution-designated endowment funds, see notes 4 and 9, respectively.

The category *Net Assets without Donor Restrictions* describes funds that have no donor-imposed restrictions. All revenues, expenses, gains, and losses that are not restricted by donors are included in this classification. Certain net assets without donor restrictions are institution-designated for specific uses under the internal operating budget.

The category *Net Assets with Donor Restrictions* describes funds that are subject to donor-imposed restrictions that will be met either by actions of the University, the passage of time, or which may be perpetual. These net assets include gifts for which donor-imposed restrictions have not been met in the year of receipt (these may include future capital projects), as well as trust activity and pledges receivable. Net assets with perpetual restrictions consist of donor-restricted endowment funds, contributions receivable for such funds, and certain trusts.

Revenue from donor-restricted sources is reclassified as an increase to net assets without donor restrictions when the circumstances of the restrictions have been fulfilled or the restrictions expire. Donor-restricted contributions whose restrictions are met within the same fiscal year in which they are received are reported as revenue without donor restrictions. All expenses are reported in net assets without donor restrictions. Absent explicit donor stipulations indicating otherwise, the University reports expiration of donor restrictions on long-lived assets as net assets without donor restrictions when the assets are placed in service.

Net assets as of August 31 are as follows:

(in thousands of dollars)			2019
Nature of specific net assets	**Without donor restrictions**	**With donor restrictions**	**Total net assets**
Teaching, research, and program support	$2,368,537	$2,771,527	$5,140,064
Student financial aid	659,387	808,523	1,467,910
Capital and operations	1,097,581	539,263	1,636,844
Endowment net assets subtotal	**4,125,505**	**4,119,313**	**8,244,818**
Pledges	—	293,705	293,705
Unexpended gifts	—	46,665	46,665
Annuity and other split-interest agreements	—	61,718	61,718
Student loan funds	89,216	35,164	124,380
Operating and plant	3,256,221	—	3,256,221
Total	**$7,470,942**	**$4,556,565**	**$12,027,507**

(in thousands of dollars)			2018
Nature of specific net assets	**Without donor restrictions**	**With donor restrictions**	**Total net assets**
Teaching, research, and program support	$2,426,241	$2,793,142	$5,219,383
Student financial aid	675,028	810,692	1,485,720
Capital and operations	1,128,441	553,374	1,681,815
Endowment net assets subtotal	**4,229,710**	**4,157,208**	**8,386,918**
Pledges	—	311,458	311,458
Unexpended gifts	—	23,025	23,025
Annuity and other split-interest agreements	—	59,523	59,523
Student loan funds	96,232	37,912	134,144
Operating and plant	3,328,816	—	3,328,816
Total	**$7,654,758**	**$4,589,126**	**$12,243,884**

Operating Activities

Operating activities in the consolidated statements of activities reflect all transactions increasing or decreasing net assets without donor restrictions, except for private gifts and grants for buildings and equipment; restricted private gifts; investment return net of operating distributions; gains (losses) from annuity obligations and derivative instruments; and certain other nonrecurring items.

Fair Value Measurements

The University makes fair value measurements and related disclosures thereon as required by the Fair Value Measurements and Disclosures Topic of the FASB ASC. For further discussion, see note 4.

Cash and Cash Equivalents

Cash reflects currency and deposits or other accounts with financial institutions that may be deposited or withdrawn without restriction or penalty. *Cash equivalents* represent short-term and highly liquid investments with original maturities of three months or less.

Contributions

Contributions received, including unconditional promises to give (contributions receivable), are recognized by the University as revenues at their fair values at the date of gift. Private gifts, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until all barriers to entitlement of the assets are overcome and the promisor's rights of return or release have elapsed.

Investments

Investments in financial instruments are recorded at fair value. The University values its investments using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity, whereas unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or a liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the fair value hierarchy and the primary valuation methodologies used by the University for assets and liabilities measured at fair value on a recurring basis:

Level 1: Quoted prices in active markets for identical assets or liabilities. Market-price data are generally obtained from relevant exchanges or dealer markets.

Level 2: Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially all of the same terms of the assets or liabilities. Inputs may be obtained from various sources, including market participants, dealers, and brokers.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

An investment's categorization within the valuation hierarchy is based on the lowest level of input significant to the fair value measurement. In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer of the fair value measurement to a different categorization, such transfers between fair value categories are determined and recognized at the end of the reporting period. The categorization of an investment is based upon its pricing transparency and liquidity and does not necessarily correspond to the University's perceived risk of that investment. As a practical expedient as permitted under GAAP, the reported net asset value (NAV) of investments with external managers is used to estimate their fair value. Such investments for which NAV is used as a practical expedient are not categorized in and are shown separately from the valuation hierarchy. For further discussion, see note 4.

Equity securities with readily determinable fair values are valued at the last sale price (if quotations are readily available) or at the closing bid price in the principal market in which such securities are normally traded (if no sale price is available). The fair values for these securities are classified as Level 1 because the securities have observable market inputs. Most fixed income securities and debt securities are valued based on dealer-supplied valuations; since these securities have significant other observable inputs, they are classified as Level 2.

The estimated fair values of equity securities without readily determinable fair values and of other generally less liquid investments are based on valuation information received on the relevant entities and may include last sale information or independent appraisals of value. In addition, standard valuation techniques, including discounted cash flow models or valuation multiples based on comparable investments, may be used. Because the fair values for these assets are based predominantly on unobservable inputs, they are classified as Level 3.

Investments in certain real assets and other investments are recorded at acquisition or construction cost or, if received as a contribution, at fair value as of donation date. The University periodically assesses these assets for impairment by comparing their expected future cash flows with their carrying value. An impairment loss is recognized for the difference between estimated fair value and carrying value. In management's opinion, no impairment of investments held at cost existed as of August 31, 2019 and 2018. For further discussion of such investments, see note 4.

The methods described above may produce a fair value that may not be indicative of net realizable value or of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different estimate of fair value at the reporting date.

Investment income is recorded on the accrual basis, and purchases and sales of investment securities are reflected on a trade-date basis.

Derivative Financial Instruments

The University uses various financial instruments to obtain equity market exposure (e.g., equity price risk) of an underlying investment strategy; if applicable, these have a reference index (e.g., S&P 500) that is the same as, or highly correlated with, the reference index of the investment strategy. Such instruments are not designated as hedges for accounting purposes and are recorded at fair value.

The University enters into swap agreements to hedge future interest-rate movements. It may also add various interest-rate options to hedge the overall portfolio and use an interest-rate swap agreement to hedge variable interest-rate exposure. Interest-rate swaps are valued using observable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever they are available and considered reliable. If and when models are used, the value of the interest-rate swap depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, and prepayment rates as well as correlations of such inputs. Due to significant other observable inputs, the interest-rate swaps are classified as Level 2. For further discussion, see note 4.

Accounts and Notes Receivable

Accounts receivable are recorded at net realizable value. Those generally expected to be collected within one year are carried without an allowance. Accounts receivable deemed to be uncollectible are written off at that time.

Notes receivable are recorded at net realizable value and are predominantly student loans with varying maturities. Notes receivable deemed to be uncollectible are written off.

Contributions Receivable

Contributions receivable that represent unconditional promises to give are recognized at fair value as contributions with donor restrictions in the period such promises are made by donors. Contributions are discounted at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Allowance is made for uncollectible contributions based on management's expectations regarding collection of outstanding promises to give and past collection experience. There were no significant conditional promises to give as of August 31, 2019 and 2018.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or, if received as gifts, at fair value at the date of gift. Significant renewals and replacements are capitalized. The cost of repairs and maintenance is expensed as incurred. Purchases of library books and works of art are also expensed.

Depreciation is calculated using the straight-line method over the useful lives of the equipment, which are estimated to be 3 to 20 years; of the buildings, building improvements, and land improvements, which are estimated to be 10 to 40 years; and of the leasehold improvements, which are estimated to be the shorter of the useful life or the lease term.

The University reviews long-lived assets for impairment by comparing the future cash flows expected from the asset to the carrying value of the asset. If the carrying value of an asset exceeds the sum of estimated undiscounted future cash flows, an impairment loss is recognized for the difference between estimated fair value and carrying value.

Charitable Remainder Trusts

Charitable remainder trusts are classified as net assets with donor restrictions and recognized at fair value.

Annuities Payable

Annuities payable consist of annuity payments currently due and the actuarial amount of annuities payable. The actuarial amount of annuities payable is the present value of the aggregate liability for annuity payments over the expected lives of the beneficiaries.

Self-Insurance Reserves

The University maintains a self-insurance program for general liability, professional liability, automobile liability, property damage, educators' liability, cyber liability, and certain employee and student insurance coverages. This program is supplemented with commercial excess insurance above the University's self-insurance retention. The reserves for self-insurance, postemployment benefits, and postretirement medical and life insurance benefits are based on actuarial studies and management estimates. See notes 10 and 12 for additional discussion.

Revenue Recognition

Revenues from tuition and fees are reflected net of reductions from institutional student aid and are recognized as the services are provided over the academic year, including pro-rata adjustments for educational programs crossing over fiscal years. Institutional student aid includes amounts funded by endowment earnings, gifts, and other sources and reduces the published price of tuition for students receiving such aid. Fiscal year 2020 noncancelable fall-quarter tuition and fees, billed and received in fiscal year 2019, are reported as deferred revenue in fiscal year 2019. Fiscal year 2019 fall-quarter tuition and fees, billed but not earned in fiscal year 2018, are reported as deferred revenue in fiscal year 2018. (For further discussion of deferred revenues, see note 6.) Of the $651.7 million and $620.3 million in revenue recognized for the years ended August 31, 2019 and 2018, respectively, $600.9 million and $577.2 million, respectively, was from academic credit programs, and $50.8 million and $43.1 million, respectively, was from nonacademic credit programs.

Revenues from auxiliary services, such as residence and food services, represent fees for goods and services furnished to University students, faculty, and staff; these revenues are recognized in the fiscal year in which the goods and services are provided. Of the $92.1 million and $83.9 million in revenue recognized for the years ended August 31, 2019 and 2018, respectively, $82.6 million and $78.6 million, respectively, was from room and board, while the remaining revenue was from other miscellaneous residence and food services.

Grants and contracts revenue is received from federal and other sponsors. It may represent either an exchange transaction for an equivalent benefit in return or a nonexchange transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred. Revenues from nonexchange transactions are recognized as revenue when qualifying expenditures are incurred and applicable conditions and restrictions under the agreements are met. Conditional awards from federal sponsors outstanding as of August 31, 2019, were $552.4 million.

Sales and services revenues represent fees for services and goods provided to external parties in the course of educational activities, revenues from the provision of physical plant services and goods to external institutions contiguous to the University campuses, and trademark and royalty revenues arising from licensing of innovative technologies, copyrights, and other intellectual property. These revenues are recognized in the fiscal year in which goods and services are provided.

Professional fees arise from faculty and department services provided to external institutions such as hospitals. Revenues are recognized in the fiscal year in which the services are provided.

Income Taxes

The Internal Revenue Service has determined that the University is exempt from income taxes under Section 501(c)(3) of the US Internal Revenue Code, except with regard to unrelated business taxable income (UBTI), which is taxed at corporate income tax rates. The University files federal and various state and local tax returns. The statute of limitations on the University's federal tax returns remains open for fiscal years 2016 through 2019.

The University makes an assessment of individual tax positions and follows a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability on examination by tax authorities.

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The Act's impact on the University includes new excise taxes on executive compensation and net investment income, as well as new rules for calculating UBTI. The overall impact of the Act remains uncertain, and its full impact will not be known until further regulatory guidance is provided. For the year ended August 31, 2019, the University is subject to the federal excise tax of 1.4 percent on net investment income, which includes interest, dividends, and net realized gains on investments.

Uses of Estimates in the Preparation of the Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from those estimates.

Newly Adopted Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both (a) a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and (b) a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the University for the year ended August 31, 2019. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation–Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The ASU requires the service cost component of net periodic benefit cost for pension and other postretirement benefits to be presented as a part of employee benefit expense. The other components of net periodic benefit cost, such as interest, gains or losses, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without donor restrictions. The ASU became effective for the University for the year ended August 31, 2019. The University's retrospective adoption of the ASU did not have a material effect on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* During 2019, the University retrospectively adopted, as of September 1, 2017, the provisions of the ASU, which reduce the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets; and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. The ASU also requires that underwater endowment funds, previously reported as reductions to unrestricted net assets, be reported instead as reductions to net assets with donor restrictions. Accordingly, the University has reclassified deficits from underwater funds of $45 thousand and $57 thousand, respectively, as of the beginning of fiscal year 2019 and 2018 as reductions to net assets with donor restrictions.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, affecting accounting for equity investments and financial liabilities under the fair value option and certain presentation and disclosure requirements for financial instruments. The standard is effective in fiscal year 2020. The University early adopted this ASU on a prospective basis in fiscal year 2019. The adoption of this standard did not have a material effect on the University's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended, a new revenue recognition topic in the codification that provides a principle-based framework to replace earlier industry-specific and rule-based revenue recognition standards. The University adopted this standard on a modified retrospective basis in fiscal year 2019. The adoption of this standard did not materially change the timing or amount of revenue recognized by the University. However, the standard does require that tuition and fees be presented in the consolidated statements of activities net of institutional student aid. Previously, such revenues were presented at published rates, followed by a reduction for institutional student aid. Accordingly, the University's 2018 consolidated statements of activities have been revised to conform to the 2019 presentation.

Recent Accounting Pronouncements

In August 2018, the FASB issued 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. These guidelines remove, modify, and add certain disclosure requirements related to transfers between levels of the value hierarchy and information about inputs used to develop fair value measurements. This standard is effective for the University in fiscal year 2021.

In November 2016, the FASB issued clarifying guidance on ASU 2016-18, *Restricted Cash (Topic 230): Statement of Cash Flows*. The amendments in the update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the update do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for the University in fiscal year 2020.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses*, which amends the Board's guidance on impairment of financial instruments. This standard is effective for the University in fiscal year 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*, new guidance to increase the transparency and comparability of lease reporting by recognizing lease assets and liabilities on the consolidated statements of financial position and disclosing key information about leasing activities. The standard is effective for the University in fiscal year 2020.

The University is currently evaluating the impact of the aforementioned standards.

Reclassifications

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

2. Accounts Receivable and Notes Receivable

Accounts receivable as of August 31 are summarized on the consolidated statements of financial position as follows:

(in thousands of dollars)	*2019*	*2018*
Research and other sponsored programs support	$98,545	$84,711
Student receivables	15,811	120,393
Other receivables	85,835	69,510
Accounts receivable subtotal	**200,191**	**274,614**
Less allowances for student uncollectible amounts	(656)	(660)
Total accounts receivable, *net*	**$199,535**	**$273,954**

Notes receivable as of August 31 are summarized on the consolidated statements of financial position as follows:

(in thousands of dollars)	*2019*	*2018*
Notes receivable	$145,373	$155,939
Less allowances for student uncollectible amounts	(1,397)	(4,273)
Total notes receivable, *net*	**$143,976**	**$151,666**

3. Contributions Receivable

Contributions receivable as of August 31 consisted of the following:

(in thousands of dollars)	*2019*	*2018*
Unconditional promises expected to be collected in		
Less than one year	$57,392	$53,615
One to five years	173,712	185,228
More than five years	98,503	114,416
Contributions receivable subtotal	**329,607**	**353,259**
Less unamortized discounts	(35,148)	(41,345)
Less allowances for uncollectible amounts	(754)	(456)
Total contributions receivable, *net*	**$293,705**	**$311,458**

Contributions receivable are discounted at rates ranging from 1.4 to 6.5 percent.

4. Investments

The University's investments are overseen by the Investments Committee of the Board of Trustees. Guided by the policies established by the Investments Committee, the University's Investment Office or external equity investment managers, external and internal fixed income and cash managers, and various limited partnership managers direct the investment of endowment and trust assets, certain working capital, expendable funds with donor restrictions temporarily invested, and commercial real estate.

Substantially all of these assets are merged into internally managed investment pools on a market value basis. Each holder of units in the investment pools subscribes to or disposes of units on the basis of the market value per unit at the beginning of each month.

Fair Value Disclosures

The following tables show the estimated fair value of investments and derivatives, grouped by the valuation hierarchy as defined in note 1, as of August 31:

(in thousands of dollars)					*2019*
	Quoted prices in active markets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**NAV as Practical Expedient (NAV)**	**Total fair value**
Cash and cash equivalents	$79,213	—	—	—	$79,213
US equity	442,952	$71	—	$1,009,592	1,452,615
International equity	318,103	—	$64	1,428,147	1,746,314
Fixed income	91,753	518,758	—	276,963	887,474
High-yield credit	—	—	—	266,648	266,648
Absolute return	—	—	—	1,939,874	1,939,874
Private investments	34,597	321	10,403	2,842,382	2,887,703
Real assets	189,907	11,582	51,087	1,496,073	1,748,649
Other investments	30,835	590	25,411	—	56,836
Interest-rate derivatives	736	(370)	—	—	366
Subtotal investment assets at fair value	**1,188,096**	**530,952**	**86,965**	**9,259,679**	**11,065,692**[(a)]
Interest-rate swaps	—	(16,482)	—	—	(16,482)
Total	**$1,188,096**	**$514,470**	**$86,965**	**$9,259,679**	**$11,049,210**

[(a)] *Investments held at cost totaling $26,493 thousand should be added to the subtotal investment assets at fair value, and beneficial interest in charitable remainder trusts totaling $12,761 thousand should be subtracted from the subtotal investment assets at fair value to reconcile to total investment assets of $11,079,424 thousand as of August 31, 2019.*

(in thousands of dollars)					*2018*
	Quoted prices in active markets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**NAV as Practical Expedient (NAV)**	**Total fair value**
Cash and cash equivalents	$84,520	—	—	—	$84,520
US equity	628,791	$93	—	$1,026,835	1,655,719
International equity	275,595	—	$66	1,635,779	1,911,440
Fixed income	88,522	548,631	—	266,423	903,576
High-yield credit	—	—	—	301,826	301,826
Absolute return	—	—	—	2,123,246	2,123,246
Private investments	24,086	321	17,633	2,409,604	2,451,644
Real assets	252,877	9,786	91,052	1,429,307	1,783,022
Other investments	30,628	—	25,799	—	56,427
Interest-rate derivatives	2,500	(1,742)	—	—	758
Subtotal investment assets at fair value	**1,387,518**	**557,089**	**134,550**	**9,193,020**	**11,272,178**[(a)]
Interest-rate swaps	—	(13,410)	—	—	(13,410)
Total	**$1,387,518**	**$543,678**	**$134,550**	**$9,193,020**	**$11,258,768**

[(a)] *Investments held at cost totaling $27,657 thousand should be added to the subtotal investment assets at fair value, and beneficial interest in charitable remainder trusts totaling $12,748 thousand should be subtracted from the subtotal investment assets at fair value to reconcile to total investment assets of $11,287,087 thousand as of August 31, 2018.*

Investments included as NAV as Practical Expedient consist primarily of the University's ownership in investments (principally limited partnership interests in long-only equity and credit, hedge, private equity, real estate, and other similar funds). As a practical expedient, when quoted market prices are not available, the estimated fair values of these investments are generally based on reported partners' capital or NAV provided by the associated external investment managers. In cases where the practical expedient threshold is not met, such as an investment not being in compliance with GAAP, or where a statement of partners' capital is not provided, the investment is reported as Level 3. Since a range of possible values exists for these partnership investments, the estimated values may be materially different from the values that would have been used had a ready market for these partnerships existed. The University exercises diligence in assessing the policies, procedures, and controls of external investment managers; management's assessment includes a valuation review process of the most recent available audited and unaudited financial statements and discussions with the majority of external investment managers about the aggregate carrying value of the respective investments at August 31, 2019. The assessment may result in adjustment to the external managers' valuations of the securities' fair value if those valuations are not in accordance with GAAP.

The following tables summarize changes in the investments and derivatives classified by the University in Level 3 of the fair value hierarchy for the fiscal years ended August 31, 2019 and 2018:

(in thousands of dollars)	*2018*					*2019*
	Fair value	**Purchases**	**Sales and settlements**	**Realized and unrealized gains (losses)**	**Transfers into and out of Level 3**	**Fair value**
International equity	$66	—	—	($2)	—	$64
Private investments	17,633	$830	($211)	(1,468)	($6,381)	10,403
Real assets	91,052	62	(9,165)	(6,562)	(24,300)	51,087
Other investments	25,799	—	—	(388)	—	25,411
Total investments	**$134,550**	**$892**	**($9,376)**	**($8,420)**	**($30,681)**	**$86,965**

(in thousands of dollars)	*2017*					*2018*
	Fair value	**Purchases**	**Sales and settlements**	**Realized and unrealized gains (losses)**	**Transfers into and out of Level 3**	**Fair value**
International equity	$19	$55	—	($8)	—	$66
Private investments	17,310	5,271	($7)	(4,941)	—	17,633
Real assets	112,719	—	(8,367)	5,199	($18,499)	91,052
Other investments	24,966	—	—	833	—	25,799
Total investments	**$155,014**	**$5,326**	**($8,374)**	**$1,083**	**($18,499)**	**$134,550**

There were no significant transfers or reclassifications between Levels 1 and 2 during fiscal years 2019 and 2018. In fiscal year 2019, there were two transfers out of Level 3 into Level 1. One occurred as a subordinated equity security converted to publicly traded common shares, while the other was reclassified since the underlying securities have readily available market prices. There was one transfer out of Level 3 in fiscal year 2018.

As of August 31, 2019 and 2018, investments held at cost included real estate totaling $19.4 million. Investments held at cost also included property co-ownerships, mortgages, and other investments totaling $7.1 million and $8.3 million as of August 31, 2019 and 2018, respectively.

The table below presents funding obligations and redemption terms of investments by asset class. The University is required under certain partnership agreements to advance additional funding up to specified levels over a period of several years. These uncalled commitments have fixed expiration dates and other termination clauses. At August 31, 2019, the University was committed to making future capital contributions in the amount of $2.1 billion, primarily in the next five years, as detailed in the table. Certain agreements also contain notice periods, lock-ups, and gates that limit the University's ability to initiate redemptions.

(in thousands of dollars)

	Fair value	Remaining life	Uncalled commitments	Redemption terms	Redemption restrictions
US equity	$1,452,615	No limit	—	Daily to annually, with 1- to 90-day notice periods	Lock-up provisions ranging from none to 3 years
International equity	1,746,314	No limit	$45,697	Daily to annually, with 1- to 180-day notice periods	Lock-up provisions ranging from none to 3 years
Fixed income	887,474	No limit	—	Daily to quarterly, with 1- to 90-day notice periods	No lock-up provisions
High-yield credit	266,648	No limit to 12 years	105,054	Certain partnerships ineligible for redemption; other funds semiannually to annually, with 90-day notice periods	Certain partnerships not redeemable; other partnerships include side pockets subject to general partner discretion
Absolute return	1,939,874	No limit	57,706	Daily to greater than annually, with 1- to 120-day notice periods; private partnership ineligible for redemption	Lock-up provisions ranging from none to 3 years; side pockets on many funds; one partnership not redeemable
Private investments	2,887,703	No limit to 12 years	956,116	Partnerships ineligible for redemption; equity securities daily, with 1-day notice period	Private partnerships not redeemable; equity securities have no lock-up provisions
Real assets	1,748,649	No limit to 14 years	920,286	Partnerships ineligible for redemption; commodity and equity funds weekly to quarterly, with 1- to 3-day notice periods	Drawdown partnerships not redeemable; no restriction on commodity and equity funds

Cash and cash equivalents for investment purposes include bank accounts holding cash and money market funds consisting of short-term US Treasury securities. Cash and cash equivalents are highly liquid and are carried at amortized cost, which approximates fair value.

The University's marketable securities categories include investments in US equities, international equity, and fixed income strategies via separately managed accounts, partnerships, and commingled funds. US equity strategies include large-, mid-, and small-cap public equities. One investment in this category currently may not be redeemed over the next year.

International equities include developed market (ex–US public equities) and emerging market strategies. Three investments in this category currently may not be redeemed over the next year, while one other may only be partially redeemed over the next year.

Fixed income strategies include US government securities, agency securities, inflation-linked bonds (TIPS), corporate bonds, global bonds, and short-term cash investments.

The high-yield credit portfolio includes investments in distressed debt and other credit instruments with fixed income characteristics but more specific risk tied to the securities and their underlying cash flows.

The absolute return portfolio is weighted toward long-short equity managers, uncorrelated strategies, and diversifying event-driven or hedged tactical credit strategies. One investment in this portfolio currently may not be redeemed over the next year due to lock-up provisions. As of August 31, 2019, the remaining investments have either full or partial liquidity over the next year, with the exception of those having side pockets. As of August 31, 2019 and 2018, the University posted $137.9 million and $143.7 million, respectively, of public equity as a source of collateral for an alternative investment strategy.

The private investments portfolio includes investments in global buyout and venture capital funds. The real assets portfolio includes the University's investments in energy, timber, real estate, and public investments in some commodity and equity funds.

Lives of the specific funds could vary significantly, depending on the investment decisions of the external fund managers, changes in the University's portfolio, and other circumstances. Furthermore, the University's obligation to fund these commitments may be waived by the fund managers for a variety of reasons, including changes in the market environment and/or investment strategy.

Investment Return

Investment return designated for operations is defined as the investment payout, according to the spending guideline for the Long-Term Balanced Pool and the actual investment income for all other investments. In 2019 and 2018, respectively, additional amounts of $50 million and $100 million were authorized in excess of the spending rule to support strategic investment and are included in the investment return designated for operations line of the consolidated statements of activities. Gross investment income from specific investments held at cost totaled $15.4 million and $15.9 million for the fiscal years ended August 31, 2019 and 2018, respectively. Investment expenses related to specific investments held at cost totaled $4.8 million and $6 million for the fiscal years ended August 31, 2019 and 2018, respectively. All other investment returns are categorized as nonoperating.

Certain direct expenses paid by the University for investment management and custody services have been netted against investment earnings.

Derivative Financial Instruments

The University has entered into hedging transactions via various interest-rate swaps and swaptions and has maintained those positions since fiscal year 2010. These instruments are presented net in the fixed income asset class of investments within Level 2.

Credit exposure represents the University's potential loss if counterparties fail to perform under the terms of the contracts, or collateral, if any, does not fully support amounts obligated. This exposure is measured by the fair value of the cash collateral held at the counterparties at the reporting date. The University manages its exposure to credit risk by using highly rated counterparties, establishing risk-control limits, and obtaining collateral where appropriate, and on a net basis had obligations to counterparties as of August 31, 2019 and 2018. As a result, the University has limited credit risk. The University has entered into margin collateral agreements with major investment banks that impose a $1 million threshold on both parties. As of August 31, 2019 and 2018, the University posted collateral of $0.7 million and $2.5 million, respectively, to one counterparty. To date, the University has not incurred any losses on derivative financial instruments due to counterparty nonperformance.

The University regularly reviews the use of derivative financial instruments by each of the managers of alternative investment funds in which it participates. While these outside managers generally use such instruments for hedging purposes, derivative financial instruments are employed for trading purposes by numerous independent asset managers of the University.

The following tables summarize the derivative financial instruments held by the University as of August 31:

(in thousands of dollars)

	2019					
	Notional amount	**Assets**	**Liabilities**	**Fiscal year net gain (loss)**	**Interest rates**	**Maturity date**
Investment-related derivatives						
Interest-rate swaptions	$200,000	$736	($368)	($106)	5%	12/2/2019
Total investment-related	**200,000**	**736**	**(368)**	**(106)**	5%	12/2/2019
Credit-related derivatives						
Interest-rate swaps	125,000	—	(16,482)	(3,072)	4.12–4.38%	8/31/2023
Total credit-related	**125,000**	—	**(16,482)**	**(3,072)**	4.12–4.38%	8/31/2023
Total derivative financial instruments	**$325,000**	**$736**	**($16,850)**	**($3,178)**		

(in thousands of dollars)

	2018					
	Notional amount	**Assets**	**Liabilities**	**Fiscal year net gain (loss)**	**Interest rates**	**Maturity date**
Investment-related derivatives						
Interest-rate swaptions	$200,000	$2,500	($1,742)	—	5%	12/2/2019
Total investment-related	**200,000**	**2,500**	**(1,742)**	**—**	5%	12/2/2019
Credit-related derivatives						
Interest-rate swaps	125,002	—	(13,410)	$7,419	4.12–4.38%	8/31/2023
Total credit-related	**125,002**	—	**(13,410)**	**7,419**	4.12–4.38%	8/31/2023
Total derivative financial instruments	**$325,002**	**$2,500**	**($15,152)**	**$7,419**		

5. Land, Buildings, and Equipment

Land, buildings, and equipment as of August 31 consisted of the following:

(in thousands of dollars)	*2019*	*2018*
Land	$31,036	$31,036
Construction-in-progress	117,474	563,507
Buildings and leasehold improvements	4,455,482	3,828,036
Equipment	663,544	651,033
Accumulated depreciation	(1,947,173)	(1,815,577)
Total land, buildings, and equipment, *net*	**$3,320,363**	**$3,258,035**

Included in construction-in-progress costs are building and leasehold improvement capitalizations. Building costs are funded by bonds, gifts (received or pledged), grants, and funds without donor restrictions.

Under the University's interest capitalization policy, actual interest costs incurred during the period of construction of an asset for University use are capitalized until that asset is substantially completed and ready for use. The capitalized cost is reflected in the asset's total cost and depreciated over the asset's useful life. Assets qualifying for interest capitalization may include buildings and major equipment.

In fiscal year 2019, the Simpson Querrey Biomedical Research Center was completed and placed into service. The sale of four floors to Ann & Robert H. Lurie Children's Hospital of Chicago was consummated upon completion of the building.

Lease Obligations

The University is obligated as lessee under numerous operating leases to pay base rent through the lease expiration dates. Operating leases consist primarily of leases for the use of real property and have terms expiring through fiscal year 2031. Real estate lease expenses totaled $15.9 million and $14.1 million for the fiscal years ended August 31, 2019 and 2018, respectively. Sublease rental income totaled $3 million and $2.9 million for the fiscal years ended August 31, 2019 and 2018, respectively. At August 31, 2018, there were no subleases that are noncancelable for one year or more. The future minimum lease payments under noncancelable operating leases through August 31 of each period are shown at right.

(in thousands of dollars)	
2020	$15,871
2021	14,272
2022	13,321
2023	12,304
2024	12,698
2025 and thereafter	55,058
Total	**$123,524**

Rentals under Leases

The University is entitled as lessor under numerous operating leases to receive rental payments. Operating leases consist primarily of leases for the use of real property and have terms expiring through fiscal year 2041. The future minimum rental payments under noncancelable operating leases through August 31 of each period are shown at right.

(in thousands of dollars)	
2020	$2,016
2021	1,905
2022	1,910
2023	1,956
2024	1,863
2025 and thereafter	9,412
Total	**$19,062**

6. Deferred Revenue

Deferred revenue as of August 31 is summarized on the consolidated statements of financial position as follows:

(in thousands of dollars)	*2019*	*2018*
Tuition and housing	$121,359	$222,990
Sponsored contracts (exchange)	68,899	49,055
Conditional contributions and grants	22,360	9,110
Other deferred revenue	18,838	21,554
Total deferred revenue	**$231,456**	**$302,709**

7. Deposits Payable and Actuarial Liability of Annuities Payable

Deposits payable and actuarial liability of annuities payable as of August 31 are summarized on the consolidated statements of financial position as follows:

(in thousands of dollars)	*2019*	*2018*
Agency deposits payable	$133,591	$123,468
Actuarial liability of annuities payable	20,689	19,939
Student loan deposits payable	4,823	5,537
Other deposits payable	9,461	5,799
Total deposits payable and actuarial liability of annuities payable	**$168,564**	**$154,743**

8. Bonds, Notes, and Other Debt Payable

Bonds, notes, and other debt payable as of August 31 are as follows:

(in thousands of dollars)	**Interest-rate mode**	**Fiscal year maturity**	**Interest rate**	*2019*	*2018*
Illinois Finance Authority (IFA)–Series 2004	Variable	2034	1.34% [a]	$135,800	$135,800
IFA–Series 2008	Variable	2046	1.30% [a]	125,000	125,000
Taxable–Series 2012	Fixed	2039–2047	4.20%	200,000	200,000
Taxable–Series 2013	Fixed	2015–2044	4.60% [b]	563,240	568,175
Taxable–Series 2015	Fixed	2038–2048	3.78% [b]	500,000	500,000
IFA–Series 2015	Fixed	2022–2028	4.24% [b]	128,545	128,545
Taxable–Series 2017	Fixed	2047–2057	3.72% [a]	500,000	500,000
Commercial paper ($300,000 available)	Variable	2019	2.16% [b]	300,000	260,000
Promissory note	Fixed	2021	1.72% [c]	16,000	24,000
Lines of credit ($750,000 available)	Variable	2019	2.55% [b]	85,000	115,000
Bonds, notes, and other debt payable subtotal				**2,553,585**	**2,556,520**
Unamortized issuance costs, premiums, and discounts, *net*				(2,021)	(1,384)
Total bonds, notes, and other debt payable, *net*				**$2,551,564**	**$2,555,136**

[a] *Interest rate reset weekly*
[b] *Weighted average interest rate at August 31, 2019*
[c] *Imputed rate on non-interest-bearing note*

Total obligations including bonds, notes, and other debt payable at August 31, 2019, are scheduled to mature through August 31 of each period as noted at right. The schedule has been prepared based on the contractual maturities of the debt outstanding at August 31, 2019. Accordingly, if remarketings of variable rate debt offerings fail in future periods, debt repayments may become more accelerated than presented here. The potential failed remarketings coincide with the interest rate reset dates and amounts noted above.

(in thousands of dollars)

2020	$398,085
2021	13,450
2022	4,790
2023	6,660
2024	7,710
2025 and thereafter	2,122,890
Total	**$2,553,585**

Bonds Payable

During the year ended August 31, 2019, the University did not enter into the sale of any additional long-term municipal bonds or increase its long-term debt position. During the year ended August 31, 2018, the Taxable–Series 2017 Fixed Rate Bonds were issued to acquire, construct, and equip certain educational facilities of the University and to pay certain costs relating to the issuance of the bonds, subject to conditions set forth in a trust indenture between the University and Wells Fargo Bank, NA.

9. Endowments

Donor-restricted endowment funds are subject to Illinois's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The University interprets UPMIFA as requiring that the fair value of the original donor-restricted endowment gift be preserved as of the gift date unless there are explicit donor stipulations to the contrary. Therefore, the University classifies the following as part of net assets with donor restrictions: the original value of gifts donated to the permanent endowment, the original value of subsequent gifts, and accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation was added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for University expenditure in a manner consistent with UPMIFA's standard of prudence. In accordance with UPMIFA, the University considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and of the endowment fund
- General economic conditions
- Possible effects of inflation or deflation
- Expected total return from income and appreciation of investments
- Other resources of the institution
- The institutional investment policy

The University's endowment consists of about 2,800 individual donor-restricted endowment funds and about 1,000 funds it designates to function as endowments. The net assets associated with endowment funds, including funds designated by the University to function as endowments, are classified and reported based on whether there are donor-imposed restrictions. Institution-designated endowment funds include quasi-endowments established by specific Board of Trustees approval as well as endowments created by management under general guidelines and policies approved by the Board of Trustees.

The following tables present the endowment net asset composition by type of fund at fair value as of August 31:

(in thousands of dollars)		With donor restrictions			*2019*
	Without donor restrictions	Funds held in perpetuity	Accumulated gains (losses)	Total	Total funds
Institution-designated endowment funds	$4,125,505				$4,125,505
With donor restrictions					
Underwater funds		$91,626	($2,891)	$88,735	88,735
All other funds		1,587,979	2,442,599	4,030,578	4,030,578
Endowment assets at end of year	**$4,125,505**	**$1,679,605**	**$2,439,708**	**$4,119,313**	**$8,244,818**

(in thousands of dollars)		With donor restrictions			*2018*
	Without donor restrictions	Funds held in perpetuity	Accumulated gains (losses)	Total	Total funds
Institution-designated endowment funds	$4,229,710				$4,229,710
With donor restrictions					
Underwater funds		$4,706	($45)	$4,661	4,661
All other funds		1,594,474	2,558,073	4,152,547	4,152,547
Endowment assets at end of year	**$4,229,710**	**$1,599,180**	**$2,558,028**	**$4,157,208**	**$8,386,918**

Investment and Spending Policies

The University's endowment is primarily invested in the Long-Term Balanced Pool. The Investments Committee of the Board of Trustees annually reviews the asset allocation policy for the pool.

The principal objective for the Long-Term Balanced Pool is to preserve purchasing power and to provide a growing stream of income to fund University programs. On average, the pool seeks to achieve an annual total rate of return (i.e., actual income plus appreciation) equal to inflation plus actual spending. This objective of preserving purchasing power emphasizes the need for a long-term perspective in formulating both spending and investment policies.

The Board of Trustees has adopted a guideline for the annual spending rate from the University's Long-Term Balanced Pool. The calculation blends market and spending elements for the total annual spending rate.

The market element is an amount equal to 4.35 percent of the market value of a unit in the pool, averaged for the 12 months ended October 31 of the prior fiscal year. It is weighted at 30 percent in determining the total. The spending element is an amount equal to the current fiscal year's spending amount increased by 1.5 percent plus the actual rate of inflation. It is weighted at 70 percent in determining the total.

If investment income received is not sufficient to support the total-return objective, the balance is provided from realized and unrealized gains. If the income received is in excess of the objective, the balance is reinvested in the Long-Term Balanced Pool on behalf of the unit holders.

The University's policy is to reinvest the current income of all other investment pools.

Changes in Endowment Net Assets

The following tables represent changes in endowment net assets for the fiscal years ended August 31:

(in thousands of dollars)			*2019*
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, beginning of year	$4,229,710	$4,157,208	$8,386,918
Net investment loss	(1,726)	(2,467)	(4,193)
Net appreciation, realized and unrealized	61,129	87,396	148,525
Total investment return	**59,403**	**84,929**	**144,332**
Contributions	—	46,705	46,705
Appropriation of endowment assets for expenditure	(173,127)	(173,387)	(346,514)
Other changes			
Transfers to create institutional funds	34,589	—	34,589
Transfers of institutional funds per donor requirement	—	4,046	4,046
Spending of institution-designated endowment fund	(21,801)	—	(21,801)
Other reclassifications	(3,269)	(188)	(3,457)
Endowment net assets, end of year	**$4,125,505**	**$4,119,313**	**$8,244,818**

(in thousands of dollars)			*2018*
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, beginning of year	$4,041,786	$3,905,788	$7,947,574
Net investment loss	(3,143)	(3,119)	(6,262)
Net appreciation, realized and unrealized	337,549	334,864	672,413
Total investment return	**334,406**	**331,745**	**666,151**
Contributions	—	82,645	82,645
Appropriation of endowment assets for expenditure	(167,459)	(165,526)	(332,985)
Other changes			
Transfers to create institutional funds	49,811	—	49,811
Transfers of institutional funds per donor requirement	—	9,874	9,874
Spending of institution-designated endowment fund	(36,152)	—	(36,152)
Other reclassifications	7,318	(7,318)	—
Endowment net assets, end of year	**$4,229,710**	**$4,157,208**	**$8,386,918**

Underwater Endowment Funds

The University monitors endowment funds to identify those for which historical cost was more than fair value. As of August 31, 2019 and 2018, the historical cost of such accounts was approximately $91.6 million and $4.7 million, and the market value totaled $88.7 million and $4.7 million, respectively. Associated unrealized losses of $2.9 million and $45 thousand as of August 31, 2019 and 2018, respectively, are recorded in the net assets with donor restrictions classification; subsequent gains increase net assets with donor restrictions.

10. Retirement Plans

The University maintains two contributory retirement plans for its eligible faculty and staff. The plans offer employees two investment company options, Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF), and certain mutual funds offered by Fidelity Investments. Participating employee and University contributions are immediately vested. The University contributed $82.5 million and $81.5 million to the two plans in 2019 and 2018, respectively.

The University currently sponsors a healthcare plan permitting retirees to continue participation on a "pay-all" basis; it has no liability for participants past age 65. The retiree contribution is based on the average per-capita cost of coverage for the plan's entire group of active employees and retirees rather than the per-capita cost for retirees only. Retirees are also eligible to participate in certain tuition reimbursement plans and may receive a payment for sick days accumulated at retirement. Certain postemployment benefit plans are also sponsored.

The University recognizes an asset or a liability in the consolidated statements of financial position for the plans' overfunded or underfunded status. The asset or liability is the difference between the fair value of plan assets and the related benefit obligation, defined as the projected benefit obligation for postemployment benefit programs and the accumulated postretirement benefit obligation (APBO) for postretirement benefit programs, such as a retiree healthcare plan. In the consolidated statements of activities, the University recognizes actuarial gains or losses and prior service costs or credits that arise during the period but are not components of net periodic benefit cost. The University measures plan assets and obligations as of the date of its fiscal year end and makes specified disclosures for the upcoming fiscal year.

The accrued cost for postemployment benefits was $8.5 million and $9.8 million at August 31, 2019 and 2018, respectively, and is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

The University funds the plan on a pay-as-you-go basis. The following table sets forth the postretirement plan's obligations, benefits paid, contributions, net periodic postretirement benefit cost, and assets for the fiscal years ended August 31:

(in thousands of dollars)	*2019*	*2018*
Benefit obligation	$13,663	$15,924
Benefits paid	1,742	1,473
Employer contributions	1,059	816
Contributions from participants	683	656
Net periodic postretirement benefit cost	1,307	1,299
Fair value of plan assets	—	—

Service costs included in net periodic postretirement benefit cost above totaled $806 thousand and $891 thousand as of August 31, 2019 and 2018, respectively.

The changes in other than periodic benefit cost included in net assets without donor restrictions on the consolidated statements of activities totaled net gains of $3.7 million and $1.2 million as of August 31, 2019 and 2018, respectively, for an increase of $2.5 million due to net gains during the fiscal year.

The APBO was $13.7 million and $15.9 million at August 31, 2019 and 2018, respectively, and is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

The following tables present key actuarial assumptions used in determining APBO as of August 31, 2019 and 2018. For both fiscal years 2019 and 2018, the ultimate healthcare cost trend rate was 5 percent, and the year when the trend rate will reach the ultimate trend rate was 2025.

Additional assumptions used to determine benefit obligations for the fiscal years ended August 31 were as follows:

	2019	*2018*
Weighted average settlement (discount) rate	2.6%	3.8%
Weighted average rate of increase in future compensation levels	2.5%	2.5%
Healthcare cost trend rate	6.5%	6.75%

Next, the assumptions used to determine net periodic benefit cost for the fiscal years ended August 31:

	2019	*2018*
Discount rate	3.8%	3.3%
Weighted average rate of increase in future compensation levels	2.5%	3.0%
Healthcare cost trend rate	6.75%	7.0%

A one-percentage-point change in assumed healthcare cost trend rates would have had these effects in fiscal year 2019:

(in thousands of dollars)	*1% point decrease*	*1% point increase*
(Decrease) increase in total of service and interest cost	($86)	($99)
(Decrease) increase in postretirement benefit obligation	(621)	699

Estimated future benefit payments reflecting anticipated service, as appropriate, are expected to be paid as shown below:

(in thousands of dollars)	
2020	$822
2021	653
2022	751
2023	775
2024	792
2025–2028	4,443
Total	**$8,236**

The University offers a deferred compensation plan under Internal Revenue Code 457(b) to a select group of management and highly compensated employees. There is no University contribution related to this deferred compensation plan. The University has recorded both an asset and a liability related to the deferred compensation plan that totaled $94.8 million and $89.3 million as of August 31, 2019 and 2018, respectively; these are included in investments and deposits payable and actuarial liability of annuities payable on the consolidated statements of financial position.

11. Related Parties

Members of the University's Board of Trustees, senior management, and faculty may on occasion be associated either directly or indirectly with entities doing business with the University. The University bylaws and conflict of interest policies establish guidelines for disclosure and regulation of such activities as circumstances warrant. When such associations exist, measures are taken, in the best interests of the University, to mitigate any actual or perceived conflict. Transactions with related parties may include investment management, common membership in investment partnerships or other investment vehicles, and the purchase of goods or services.

Northwestern Medical Group (NMG) is a not-for-profit, multispecialty physician organization committed to providing clinical care to patients and to supporting the research and academic endeavors of Northwestern's Feinberg School of Medicine (Feinberg). NMG is governed by a board of directors, and its physicians are full-time faculty members or researchers at Feinberg. It is a subsidiary of Northwestern Memorial Healthcare Corporation

(NMHC), the not-for-profit parent corporation of Northwestern Memorial Hospital (NMH), which is the primary teaching hospital of Feinberg. As such, NMHC and NMG are related parties of the University. Under terms of agreements effective in fiscal year 2014 between the University, NMG, and NMHC, the University receives recurring contributions from NMHC to support the Feinberg research and education programs, basic and applied biomedical research facilities and programs, and research and educational support services.

As of August 31, 2019 and 2018, accounts receivable arising from support and operational activities with NMHC totaled $15.7 million and $19.3 million, respectively, and are included in accounts receivable on the consolidated statements of financial position. For the fiscal years ended August 31, 2019 and 2018, contributions totaling $116 million and $109.3 million, respectively, have been made from NMHC to the University and are included in private gifts on the consolidated statements of activities. For the fiscal years ended August 31, 2019 and 2018, revenues arising from operational activities with NMHC totaled $32.4 million and $24.4 million, respectively, and are included in professional fees and sales and services on the consolidated statements of activities.

12. Self-Insurance Reserves and Other Contingencies

Reserves for losses under the University's self-insurance program, aggregating $11.5 million and $8.3 million at August 31, 2019 and 2018, respectively, include reserves for probable known losses and for losses incurred but not yet reported. The reserves are presented on a discounted basis. The discount rate was 7.5 percent in fiscal years 2019 and 2018. Self-insurance reserves are based on estimates of historical loss experience, and while management believes that the reserves are adequate, the ultimate liabilities may be more or less than the amounts provided. These reserves are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

Under an agreement in effect through fiscal year 2013 between the University and NMG, a proportionate share of primary medical professional liability costs that arise out of events prior to November 1, 2004, was borne by NMG. As a part of the clinical integration agreement between NMG, NMHC, and the University, signed September 1, 2013, any remaining liabilities related to the period prior to November 1, 2004, are the obligations of the University and included in the reserves, beginning in fiscal year 2014, for losses noted above.

In August 2009, the University, as originating lender, began participation in a student loan securitization program. It sold student loans to a school trust totaling $65 million in 2009, $19.8 million in 2010, and $22.5 million in 2012; the University issued University-guaranteed notes, which were purchased by a funding trust that procures financing to support the lending program. The programs are managed to break even and generate no servicing assets or liabilities. Guaranteed notes under these programs totaled $8.3 million and $13.2 million as of August 31, 2019 and 2018, respectively. These loans, net of reserves, are included in notes receivable and deposits payable on the consolidated statements of financial position.

In October 2013, the University purchased a $61 million portfolio of private education loans from a lending agency; these loans were purchased by the lending agency from the University prior to 2009 and were serviced by the University. As of August 31, 2019 and 2018, respectively, these loans totaled $11.7 million and $18.9 million, and are included in notes receivable, net of reserves, on the consolidated statements of financial position. The University continues to service the repurchased loans.

From time to time, various claims and suits generally incidental to the conduct of normal business are pending or may arise against the University. It is the opinion of management of the University, after taking into account insurance coverage, that any losses from the resolution of pending litigation should not have a material effect on the University's financial position or results of operations.

All funds expended in connection with government grants and contracts are subject to audit by government agencies. While any ultimate liability from audits of government grants and contracts by government agencies cannot be determined at present, management believes that it should not have a material effect on the University's consolidated financial position or results of operations.

13. Grants and Contracts

Grants and contracts for the fiscal years ended August 31 are summarized on the consolidated statements of activities as follows:

(in thousands of dollars)	*2019*	*2018*
Federal grants	$518,244	$484,398
Private grants and contracts	174,477	159,565
State grants	3,831	4,045
Total grants and contracts	**$696,552**	**$648,008**

Indirect cost recovery on federal grants and contracts is based on an institutional rate negotiated with its cognizant federal agency, the United States Department of Health and Human Services.

14. Liquidity and Availability

Financial assets and resources available within one year of August 31, 2019, for general expenditure are as follows:

(in thousands of dollars)	*2019*
Financial assets	
Cash and cash equivalents	$155,469
Accounts receivable, *net*	199,535
Notes receivable	23,109
Contributions receivable	57,392
Investment return for operations	471,000
Financial assets available within one year	**906,505**
Liquidity resources	
Commercial paper	—
Bank lines of credit	665,000
Total financial assets and liquidity resources available within one year for general expenditure	**$1,571,505**

The University manages liquidity by structuring its financial assets to be available as its operating expenses, liabilities, and other obligations come due. Working capital funds, which are generated through the temporary differences between operating receipts and disbursements, are held in a variety of money market instruments or, if not needed within 90 days, are invested in the Long-Term Balanced Pool. The income from investing them is used for general operating purposes.

In addition, the University may place commercial paper under a $300 million Taxable Commercial Paper Note. There were outstanding borrowings of $300 million under this agreement as of August 31, 2019. The University also may draw $750 million in standby lines of credit to supplement working capital requirements. There were outstanding borrowings of $85 million under this agreement as of August 31, 2019.

Lastly, the University holds institution-designated endowments of $4,126 million as of August 31, 2019. Although the University does not intend to spend from its institution-designated endowment funds—other than amounts appropriated for spending through its annual budget approval and appropriation process—amounts from its institution-designated endowment could be made available if necessary, subject to liquidity of the underlying investments.

15. Functional Classification of Expenses

Expenses by functional categories reflect salaries, wages, benefits, goods, and services used for those specific purposes. The University has allocated functional expenses for depreciation and interest on indebtedness to other functional categories based on the functional use of space on the University's campuses.

Operating expenses incurred in the fiscal years ended August 31 were as follows:

(in thousands of dollars) *2019*

	Academic	Research	Support	Total
Salaries, wages, and benefits	$914,581	$278,335	$246,243	$1,439,159
Services, supplies, maintenance, and other	566,670	193,503	59,993	820,166
Depreciation	111,854	40,342	12,946	165,142
Interest on indebtedness	58,740	21,185	6,799	86,724
Total	**$1,651,845**	**$533,365**	**$325,981**	**$2,511,191**

(in thousands of dollars) *2018*

	Academic	Research	Support	Total
Salaries, wages, and benefits	$890,686	$268,132	$261,713	$1,420,531
Services, supplies, maintenance, and other	552,254	179,423	87,595	819,272
Depreciation	101,442	39,356	9,934	150,732
Interest on indebtedness	46,201	17,923	4,524	68,648
Total	**$1,590,583**	**$504,834**	**$363,766**	**$2,459,183**

16. Subsequent Events

The University has evaluated subsequent events in accordance with the FASB ASC Subsequent Event Topic through December 20, 2019, the date when the consolidated financial statements were issued. The University did not identify any events to be disclosed.

FSC
www.fsc.org
MIX
From responsible sources
FSC® C013694

Produced by Global Marketing and Communications. 12-19/240/RM-VL-HC/2844

Administration and Trustees

APPENDIX C

SELECTED DEFINITIONS AND SUMMARY OF THE INDENTURE

TABLE OF CONTENTS

Page C-

Appendix C

SELECTED DEFINITIONS AND SUMMARY OF INDENTURE

The following are (a) definitions of certain words and terms used in the Indenture and in this Offering Circular and not defined elsewhere in this Offering Circular and (b) a summary of certain provisions of the Indenture not described elsewhere in this Offering Circular. This Offering Circular does not set forth all of the provisions of the Indenture, to which reference is made for a full and complete statement of its terms and provisions.

Certain Definitions

"**Bond**" or "**Bonds**" means the $300,000,000 aggregate principal amount of Northwestern University Taxable Fixed Rate Bonds, Series 2020, authorized to be issued pursuant to the Indenture.

"**Bond Payment Date**" means each Interest Payment Date and any other date on which principal of (whether by reason of maturity, mandatory bond sinking fund redemption, optional redemption or acceleration), Redemption Price, or interest on a Bond is required to be paid to its owner.

"**Bond Register**" means the registration books of the University kept by the Trustee (in its capacity as Registrar).

"**Bond Sinking Fund**" means the "Bond Sinking Fund - Northwestern University, Series 2020" which is established pursuant the Indenture.

"**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.

"**Closing Date**" means May 28, 2020, the date of the initial issuance and delivery of the Bonds.

"**Code**" means the Internal Revenue Code of 1986, as amended, or any subsequent income tax statute or code, including the regulations, rulings and proclamations promulgated and proposed thereunder.

"**Comparable Treasury Issue**" means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Bonds to be redeemed that would be used, 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 of the Bonds, 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.

"**Defaulted Interest**" means interest on any Bond which is payable but not duly paid on the date due.

"**Designated Office**" means (a) when used with respect to the Trustee, the designated corporate trust office of the Trustee currently located in Chicago, Illinois, and (b) when used with respect to a Paying Agent, the office designated in writing to the Trustee unless the Trustee is performing such functions, in which case it shall mean the Designated Office of the Trustee.

"**Designated Investment Banker**" means a Primary Treasury Dealer appointed by the University.

"**DTC**" means The Depository Trust Company.

"**DTC Participant**" means those broker dealers, banks and other financial institutions reflected on the books of DTC.

"**Event of Default**" means any occurrence or event specified as such under the heading "Summary of Certain Provisions of the Indenture—Events of Default" beginning on page C-12.

"**Fiscal Year**" means any twelve-month period beginning on September 1 of any calendar year and ending on August 31 of the following calendar year, or such other consecutive twelve-month period selected by the University from time to time as the fiscal year for the University.

"**Fitch**" means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware and doing business as "Fitch Ratings," its successors and its assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term "Fitch" shall mean any other nationally recognized securities rating agency designated by the Trustee, at the written direction of the University.

"**Fund**" means any of the funds established pursuant to the Indenture.

"**Government Obligations**" means direct obligations of, or obligations the timely payment of principal of and interest on which are fully guaranteed by, 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 and including certificates or other instruments evidencing direct ownership interests in such direct obligations of the United States of America such as "CATS," "TIGRS," Treasury Receipts and Stripped Treasury Coupons), including (i) evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian pursuant to the terms of a custody agreement and (ii) obligations issued by any state of the United States of America or any political subdivision, public instrumentality or public authority of any state of the United States of America, which obligations are fully secured by and payable solely from direct obligations of, or obligations the timely payment of principal and interest on which are fully guaranteed by, the United States of America, which security is held pursuant to a security agreement and which obligations as so secured and payable are rated “Aaa” by Moody’s or “AAA” by Standard & Poor’s or “AAA” by Fitch, or by their respective successors, if any.

“**Indenture**” means the Trust Indenture, dated as of May 1, 2020, between the University and the Trustee, as it may from time to time be amended or supplemented.

“**Independent Counsel**” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the University or the Trustee.

“**Indirect Participant**” means a person on behalf of whom a DTC Participant directly or indirectly holds an interest in the Bonds.

“**Interest Fund**” means the “Interest Fund - Northwestern University, Series 2020” which is established pursuant to the Indenture.

“**Interest Payment Date**” means (a) each June 1 and December 1, commencing December 1, 2020, (b) for Bonds redeemed pursuant to the Indenture, the redemption date, (c) the date to which the Bonds are accelerated pursuant to the Indenture, and (d) for each Bond, the Maturity Date.

“**Interest Rate**” means the rate of interest per year specified on the cover page of the Offering Circular.

“**Maturity Date**” means the date on which the principal amount of the Bonds is due and payable (other than as a result of acceleration or prior redemption) as provided on the cover page of the Offering Circular.

“**Moody’s**” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term “Moody’s” shall mean any other nationally recognized securities rating agency designated by the Trustee, at the written direction of the University.

“**Offering Circular**” means the Offering Circular prepared in connection with the issuance and sale of the Bonds.

“**Officer’s Certificate**” means a certificate of the University signed by the President, any Vice President, the Treasurer, the Secretary or an Assistant Secretary of the University whose authority to execute such certificate shall be evidenced to the satisfaction of the Trustee.

“**Opinion of Independent Counsel**” means a written opinion of Independent Counsel who is acceptable to the University and the Trustee in form and substance acceptable to the University and the Trustee.

“**Outstanding**”, “**Bonds outstanding**” or “**outstanding Bonds**” means, as of any given date, all Bonds which have been duly authenticated and delivered under the Indenture, except:

(a) Any Bond cancelled after purchase in the open market or because of payment at or redemption prior to the Maturity Date;

(b) Bonds for the payment or redemption of which cash or Government Obligations have been deposited with the Trustee (whether upon or prior to the Maturity Date or the redemption date of any such Bonds) in accordance with the Indenture; *provided,* that if such Bonds are to be redeemed prior to the Maturity Date, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in lieu of which other Bonds have been authenticated under the provisions of the Indenture; and

(d) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Indenture, Bonds held or owned by the University.

"**Owner**" or "**owner of the Bonds**" or "**holder**" means the registered owner of any Bond as shown on the Bond Register.

"**Par Call Date**" means June 1, 2050 (the date which is six months prior to the Maturity Date).

"**Paying Agent**" means the bank or banks designated pursuant to the Indenture to receive and disburse the principal and Redemption Price of and interest on the Bonds.

"**Person**" means any natural person, firm, joint venture, association, partnership, limited liability company, business trust, corporation, public body, agency or political subdivision or any other similar entity.

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

"**Primary Treasury Dealer Quotations**" means, with respect to each Primary Treasury Dealer and any redemption date for the Bonds, the average, as determined by the Designated Investment Banker, of the bid and ask 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.

"**Property**" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or subsequently acquired.

"**Qualified Investments**" means any investments permitted to be made by the University by law which are of a type permitted by the University's then current investment policies and which mature or are otherwise available for payment as needed.

"**Rating Agency**" means each nationally recognized statistical rating agency then maintaining a rating on the Bonds and, initially, means Moody's, Standard & Poor's and Fitch.

"**Redemption Fund**" means the "Redemption Fund - Northwestern University, Series 2020" which is established pursuant to the Indenture.

"**Redemption Price**" means (a) for optional redemptions, the Make-Whole Redemption Price (as defined in the Offering Circular), provided that, on and after the Par Call Date, the Bonds are subject to redemption at a Redemption Price equal to 100% of the principal amount of the Bonds to be so redeemed plus accrued interest to the redemption date), and (b) for mandatory sinking fund redemptions, 100% of the principal amount of the Bonds to be so redeemed plus accrued interest to the redemption date.

"**Registrar**" means the Trustee.

"**Representation Letter**" means the Blanket University Letter of Representations dated on or prior to the Closing Date from the University, accepted by DTC.

"**Revenue Fund**" means the "Revenue Fund – Northwestern University, Series 2020" which is established pursuant to the Indenture.

"**Series 2020 Purpose**" means refinancing on a long-term basis amounts outstanding under the University's commercial paper program.

"**S&P**" or "**Standard & Poor's**" means Standard & Poor's Rating Service, a Standard & Poor's Financial Services LLC business, a part of McGraw Hill Financial, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term "S&P" shall mean any other nationally recognized securities rating agency designated by the Trustee, at the written direction of the University.

"**Special Record Date**" means the date fixed by the Trustee pursuant to the Indenture for the payment of Defaulted Interest.

"**State**" means the State of Illinois.

"**Tax-Exempt Organization**" means a Person organized under the laws of the United States of America or any state of the United States of America (a) which is an organization described in Section 501(c)(3) of the Code, (b) which is exempt from federal income taxes under Section 501(a) of the Code, and (c) which is not a "private foundation" within the meaning of Section 509(a) of the Code.

"**Treasury Rate**" means the rate per annum equal to the semiannual equivalent yield to maturity 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 Wells Fargo Bank, National Association, or any successor trustee under the Indenture.

"**United States Government Obligations**" means non-callable direct obligations of, or obligations (which shall not include shares of or investments in unit investment trusts or mutual funds) the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America.

"**University**" means Northwestern University, an Illinois corporation, its successors and assigns and any surviving, resulting or transferee entity.

"**Written Request**" means a request of the University in writing signed by any Person authorized in writing by resolution of the Board of Trustees of the University.

Summary of Certain Provisions of the Indenture

Pledge and Assignment to Trustee Under the Indenture; Security Interest

In order to secure the payment of the principal and Redemption Price of and interest on the Bonds and the performance and observance of all of the covenants and conditions contained in the Indenture or in the Bonds, and to declare the terms and conditions upon which the Bonds are issued, authenticated, delivered, secured and accepted by all persons who from time to time are or become owners of Bonds, the University has executed and delivered the Indenture and has conveyed, granted, assigned, transferred, pledged, set over and confirmed and granted a security interest in, to the Trustee, its successor or successors and its or their assigns forever, to the extent and subject to the terms and provisions of the Indenture, all Property of every kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for security under the Indenture by the University or by anyone on its behalf to the Trustee, including without limitation funds of the University held by the Trustee as security for the Bonds.

To secure the payment of principal and Redemption Price of and interest payable on the Bonds, and the performance of all of the other covenants of the University contained in the Indenture, the University in the Indenture grants to the Trustee a security interest in the University's right, title and interest, if any, in any and all moneys and securities from time to time on deposit in the Interest Fund and the Bond Sinking Fund, together with all income on and proceeds of such moneys and securities and all substitutions of and additions to such moneys and securities.

Nature and Source of Payment of the Bonds

The Bonds and all payments to be made by the University on the Bonds and into the various Funds established under the Indenture are unsecured general obligations of the University. The sources of payment for the Bonds are (i) payments or prepayments made by the University under the Indenture, (ii) amounts on deposit in the Funds created under the Indenture to the extent provided in the Indenture, and (iii) certain income from the temporary investment of any of the foregoing.

Payment of Principal, Redemption Price and Interest

In the Indenture, the University has covenanted that it will duly and punctually pay the principal and Redemption Price of and interest on the Bonds at the dates and the places and in the manner required in the Bonds and in the Indenture. The University will make such payments of the principal and Redemption Price of and interest on the Bonds to the Trustee for deposit in accordance with the terms of the Indenture. Notwithstanding any schedule of payments to be made upon the Bonds set forth in the Indenture or in the Bonds, the University will make payments upon the Bonds and will be liable for such payments at times and in amounts sufficient to pay when due all principal (whether at maturity or upon acceleration), Redemption Price and interest on all Bonds from time to time outstanding under the Indenture. If, on any payment date, the amounts held by the Trustee are not sufficient to make any required payment of principal or Redemption Price of and interest on the Bonds due on such payment date, the University must pay the amount of such deficiency to the Trustee.

Payment of the principal and Redemption Price of and interest on the Bonds will be made in any coin or currency of the United States of America which, at the respective dates of payment of the Bonds, is legal tender for the payment of public and private debts.

As long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal or Redemption Price of and interest on such Bond and all notices with respect to such Bond will be made and given, respectively, in the manner provided in the Representation Letter.

University's Obligations Unconditional

The University has agreed in the Indenture that its obligations to pay the principal or Redemption Price of and interest on the Bonds, to pay the other sums provided for in the Indenture and to perform and observe its other agreements contained in the Indenture are absolute and unconditional and that, except as expressly provided in the Indenture, the University will not be entitled to any abatement or diminution thereof nor to any termination of the Indenture for any reason.

Funds Under the Indenture

All moneys received by the Trustee under any provision of the Indenture are to be held by the Trustee in trust and, while so held, will constitute part of the trust estate, will be subject to the lien of the Indenture, and will not be subject to the lien or attachment of any creditor of the University.

Revenue Fund. The Trustee is required to establish and maintain, as long as any of the Bonds are outstanding, a separate account known as the "Revenue Fund – Northwestern University, Series 2020." All payments under the Indenture, as and when received by the Trustee, are to be deposited into the Revenue Fund and held in the Revenue Fund until disbursed as provided in the Indenture. On or before each Bond Payment Date, the University is required to pay to the Trustee for deposit in the Revenue Fund moneys sufficient for the payment of interest, principal and Redemption Price (whether at maturity, by mandatory sinking fund redemption, or by optional redemption in accordance with the provisions of the Indenture, or upon acceleration) on the Bonds (in that order) due on such Bond Payment Date. The Trustee is directed to transfer moneys in the Revenue Fund to the Interest Fund, the Bond Sinking Fund and the Redemption Fund as is necessary to pay interest, principal or Redemption Price (whether at maturity, by mandatory sinking fund redemption or optional redemption or upon acceleration) on the Bonds (in that order) as they become due.

Interest Fund. The Trustee is required to establish and maintain, as long as any of the Bonds are outstanding, a separate account known as the "Interest Fund - Northwestern University, Series 2020." On each Interest Payment Date (or the first Business Day thereafter if such day is not a Business Day), the Trustee is directed to deposit in the Interest Fund from the Revenue Fund moneys in an amount which, together with any other moneys already on deposit in the Interest Fund and available to make such payment, is not less than the interest coming due on the Bonds on such Interest Payment Date. Except as otherwise provided in the provisions of the Indenture governing the application of moneys held by the Trustee following an Event of Default, moneys in the Interest Fund are required to be used solely to pay interest on the Bonds when due.

Bond Sinking Fund. The Trustee is required to establish and maintain, as long as any of the Bonds are outstanding, a separate account known as the "Bond Sinking Fund - Northwestern University, Series 2020." On each date on which principal of the Bonds becomes due by reason of mandatory sinking fund redemption and on the Maturity Date (or the following Business Day if such day is not a Business Day), after making any required deposit into the Interest Fund, the Trustee is directed to deposit in the Bond Sinking Fund from the Revenue Fund moneys in an amount which, together with any moneys already on deposit in the Bond Sinking Fund and available to make such payment, is not less than such principal becoming due on the Bonds on such date. Except as otherwise provided in the provisions of the Indenture governing the application of moneys held by the Trustee following an Event of Default, moneys in the Bond Sinking Fund are required to be used solely to pay principal of the Bonds when due on any mandatory sinking fund redemption date or the Maturity Date.

Redemption Fund. The Trustee is required to establish and maintain, as long as any of the Bonds are outstanding, a separate account known as the "Redemption Fund - Northwestern University, Series 2020." In the event of (a) optional prepayment by or on behalf of the University of amounts payable under the Indenture, or (b) deposit with the Trustee by the University of moneys from any other source for redeeming Bonds, the moneys necessary to pay the Redemption Price shall be transferred from the Revenue Fund and deposited in the Redemption Fund. Moneys on deposit in the Redemption Fund must be used *first* to make up any deficiencies existing in the Interest Fund and the Bond Sinking Fund (in the order listed) and *second* to pay the Redemption Price of Bonds in accordance with the provisions of the Indenture.

Investment of Moneys Held by the Trustee

Moneys on deposit in the Revenue Fund, the Interest Fund, the Bond Sinking Fund, and the Redemption Fund must be invested by the Trustee in Qualified Investments. Such investments must be made so as to mature on or prior to the date or dates that moneys are reasonably anticipated to be required. As and when any amounts invested pursuant to the Indenture may be needed for disbursements from the Bond Sinking Fund or the Interest Fund, the Trustee is required to cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such Fund. The Trustee is permitted under the Indenture to trade with itself in the purchase and sale of securities for such investment; *provided,* that in no case shall any investment be otherwise than in accordance with the investment limitations contained in the Indenture. The Trustee shall not be liable or responsible for any loss resulting from any such investments if made in accordance with the Indenture. Gains from investments are to be credited to and held in and losses are to be charged to the fund or account from which the investment is made. All income in excess of the requirements of the Funds identified above in this paragraph derived from the investment of moneys on deposit in any such Fund shall be deposited in the following Funds, in the order listed: (i) the Interest Fund unless otherwise designated by the University; (ii) the Bond Sinking Fund to the extent specifically designated by the University; and (iii) the Redemption Fund, to the extent specifically designated by the University.

Certain Covenants of the University

Maintenance of Corporate Existence and Tax Status. The University will at all times maintain its existence as a corporation organized under the laws of the State and a Tax-Exempt Organization. The University will neither take nor fail to take any action nor suffer any action to be taken by others which will alter, change or destroy (a) its status as a corporation organized under the laws of the State, (b) its status as a Tax-Exempt Organization, or (c) its status as an organization organized and operated exclusively for educational and scientific purposes and not for pecuniary profit, no part of the net earnings of which inures to the benefit of any person, private stockholder or individual within the meaning of Section 3(a)(4) of the Securities Act of 1933, as amended. The University further covenants that none of its revenues, income or net earnings, whether realized or unrealized, will be distributed to any of its trustees or inure to the benefit of any private person, association or corporation, other than for the lawful corporate purposes of the University; *provided*, that the University may pay to any person, association or corporation the value of any service or product performed for or supplied to the University by such person, association or corporation.

Books and Records, Financial Statements, and Related Matters. The University will keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the University, in accordance with generally accepted accounting principles, consistently applied, except for variations or changes disclosed in the notes to such financial statements; *provided*, that internal interim books of records and accounts of the University need not be kept in accordance with generally accepted accounting principles. In addition, the University will furnish the following items to the Trustee:

(a) within 180 days after the last day of each Fiscal Year of the University, the financial statements of the University certified by KPMG LLP, independent certified public accountants, or by other independent certified public accountants or firm of independent certified public accountants of recognized standing selected by the University for such Fiscal Year and containing those financial statements customarily prescribed for similar nonprofit institutions;

(b) for each year that the Indenture remains in effect, on or before January 31 of each calendar year, commencing January 31, 2021, a certificate of the University, signed by an authorized University Representative, stating that (i) the University has made a review of its activities during the preceding calendar year for the purpose of determining whether or not the University has complied with all of the terms, provisions and conditions of the Indenture, (ii) the University has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Indenture on its part to be performed, and (iii) the University is not in default in the performance or observance of any of the covenants, provisions or conditions of the Indenture or, if the University is in default, such certificate must specify all such defaults and their nature; and

(c) such additional information as the Trustee may reasonably request concerning the University in order to enable the Trustee to determine whether the covenants, terms and provisions of the Indenture have been complied with by the University; for that purpose, all pertinent financial books, documents and vouchers relating to its business, affairs and properties, excluding, however, patient, personnel, student, faculty, legal, medical and such other records as are deemed to be non-discoverable in a court of law or which the University is not permitted by law to disclose.

The University may designate a different Fiscal Year by delivering written notice to the Trustee designating the first and last day of such new Fiscal Year and whether or not there will be any interim fiscal period of a duration of greater than or less than twelve months preceding such new Fiscal Year.

Merger, Etc. The University will not be or become a party to any merger or consolidation or in any Fiscal Year, lease (for other than educational or scientific purposes), sell (other than in connection with sales and leasebacks) or otherwise dispose of all or substantially all of its physical assets devoted in whole or in part to educational or scientific purposes, unless (a) the entity (the "**Surviving Corporation**") surviving such merger, resulting from such consolidation or acquiring such assets, if other than the University, expressly assumes in writing all of the obligations of the University under the Indenture and the Bonds and (b) there is delivered to the Trustee an Opinion of Independent Counsel stating that such merger, consolidation or transfer of assets will not adversely affect the validity or enforceability of the Indenture or the Bonds in accordance with their respective terms.

Taxes, Charges and Assessments. Under present law, neither the University nor its Property is subject to real or personal property taxes of the State or any political subdivision of the State. Subject to the right to contest described below, the University covenants that, to the extent that the University or its Property are or become liable to taxation, the University will pay or cause to be paid (when the same shall become due and payable) all lawful taxes, charges, assessments and other governmental levies against the University or its Property, which if not so paid would materially and adversely affect the financial condition of the University or the use, occupancy or condition of the University's educational facilities taken as a whole. If, under applicable law, any such tax, charge, fee, rate, imposition or assessment may at the option of the taxpayer be paid in installments, the University may exercise such option.

Compliance with Orders, Ordinances, Etc. Subject to the right to contest described below, the University will, at its sole cost and expense, comply with all applicable present and future laws, and all applicable present and future ordinances, orders, decrees, rules, regulations and requirements of which it has notice, of every duly constituted governmental authority, commission and court and the officers thereof of which it has notice, the failure to comply with which would materially and adversely affect the use, occupancy or condition of the University's educational facilities taken as a whole.

Permitted Contests. The University is not required to pay any tax, charge, fee, rate, imposition or other governmental levy required to be paid under "*Taxes, Charges and Assessments*" or to comply with any law, ordinance, rule, order, decree, regulation or requirement referred to in "*Compliance with Orders, Ordinances, Etc*.", as long as the University contests or takes other appropriate action, in good faith and at its cost and expense, the amount or validity thereof, in an appropriate manner by appropriate proceedings which shall operate during the pendency of such proceedings to prevent (a) the collection of or other realization upon the tax, assessment, imposition or charge so contested, or (b) any materially adverse effect on the Series 2020 Purpose. While any such proceedings are pending, the University has the right to pay, remove or cause to be discharged or marked exempt the tax, assessment, imposition or charge being contested. Each such contest must be promptly prosecuted to final conclusion or settlement, and the University will pay all losses, judgments, decrees and costs (including attorneys' fees and expenses) and will, promptly after the final determination or settlement of such contest or action, pay and discharge the amounts which are levied, assessed or imposed or determined to be payable, together with all penalties, fines, interest, costs and expenses.

ERISA. The University will not, with respect to any "employee pension benefit plan" (as defined in Section 3 of ERISA) maintained by it, (a) engage in any "prohibited transaction" (as defined in Section 4975 of the Code) which is not an "exempt prohibited transaction", (b) permit any such plan to incur any "accumulated funding deficiency" (as defined in Section 302 of ERISA) unless waived by the appropriate governmental agencies, or (c) cause any such plan to terminate in a manner which could result in the imposition of a lien or encumbrance on the assets of the University pursuant to Section 4068 of ERISA.

Insurance. Unless the University elects to self-insure as provided in this paragraph, the University will maintain insurance coverage of such types and such amounts as are then customary for similar institutions. The University may be self-insured with respect to all or any part of its loss or liability or any damage required by this provision, if adequate loss reserves are established and maintained by the University in accordance with generally accepted actuarial practices.

Tuition, Fees and Charges. Subject to any limitations imposed by law, the University will charge and collect tuition, fees and charges which, together with any other moneys legally available to it, will provide moneys sufficient at all times (a) to make the payments required by the Indenture and to comply with the Indenture in all other respects and (b) to satisfy all other obligations of the University under the Indenture in a timely fashion.

Right to Visit. The University will permit the Trustee (or such persons as the Trustee may designate) to visit and inspect any of the Property of the University and to discuss the affairs, finances and accounts of the University with its officers and independent accountants, all upon reasonable prior written notice at such reasonable times and as often as the Trustee may reasonably desire; *provided*, that such independent accountants shall meet with the Trustee only with the knowledge and consent of the University (which consent shall not be unreasonably withheld).

Extension of Time for Payment

If the time for the payment of principal of or the interest on any Bonds is extended, whether or not such extension is by or with the consent of the University, such principal or such interest so extended will not be entitled in case of default under the Indenture to the benefit or security of the Indenture except subject to the prior payment in full of the principal of and accrued interest on all Bonds then outstanding, the time for the payment of which has not been extended.

Events of Default

Each of the following events is an "**Event of Default**" under the Indenture:

(a) If payment of any installment of interest payable on any of the Bonds is not made when the same is due and payable; or

(b) If payment of the principal of or the Redemption Price of any of the Bonds is not made when the same is due and payable, either on the Maturity Date, by proceedings for optional redemption or mandatory sinking fund redemption, upon acceleration, through failure to make any payment to any Fund under the Indenture, or otherwise; or

(c) if any representation or warranty made by the University in the Indenture or in any statement or certificate furnished to the Trustee or the purchaser of any Bonds in connection with the sale of the Bonds or furnished by the University pursuant to the Indenture proves untrue in any material respect as of the date of its issuance or making and is not made good within 60 days after notice to the University by the Trustee; or

(d) if an order or decree is entered appointing a receiver, receivers, custodian or custodians for any of the revenues of the University, or approving a petition filed against the University seeking reorganization of the University under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state of the United States of America, or if any such order or decree, having been entered without the consent or acquiescence of the University, is not vacated or discharged or stayed on appeal within 60 days after the entry of such order or decree; or

(e) if any proceeding is instituted, with the consent or acquiescence of the University, or any plan is entered into by the University, for the purpose of effecting a composition between the University and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now in force or subsequently enacted, if the claims of such creditors are under any circumstances payable from any part or all of the trust estate, including the revenues and other moneys derived by the University pledged under the Indenture; or

(f) if the University (i) files a petition in bankruptcy or under Title 11 of the United States Code, as amended, (ii) makes an assignment for the benefit of its creditors, (iii) consents to the appointment of a receiver, custodian or trustee for itself or for the whole or any part of the trust estate, including the revenues and other moneys derived from the University pledged under the Indenture, or (iv) is generally not paying its debts as such debts become due; or

(g) if (i) the University is adjudged insolvent by a court of competent jurisdiction, (ii) on a petition in bankruptcy filed against the University, the University is adjudged as bankrupt, or (iii) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the University, a receiver, custodian or trustee of the University or of the whole or any substantial part of its Property, and any such adjudication, order, judgment or decree is not vacated or set aside or stayed within 60 days from the date of entry of such adjudication, order, judgment or decree; or

(h) if the University files a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state of the United States of America; or

(i) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the University or of the whole or any substantial part of its property, and such custody or control is not terminated within 60 days from the date of assumption of such custody or control; or

(j) if the University fails to make payment of any amount due under the Indenture as interest on, principal of or optional or mandatory sinking fund redemption price of the Bonds; or

(k) if the University defaults in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or in any indenture supplemental to the Indenture to be performed on the part of the University, and such default continues for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the University by the Trustee; *provided,* that the Trustee may give such notice in its discretion and shall give such notice at the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then outstanding under the Indenture; and *provided, further*, that if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the University to remedy such default within such 30-day period shall not constitute a default under the Indenture if the University immediately upon receipt of such notice commences with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, prosecutes and completes the same with due diligence and dispatch; or

(l) if any judgment, writ or warrant of attachment or of any similar process in an amount in excess of $15,000,000 is entered or filed against the University or against any of its Property and remains unvacated, unpaid, unbonded, unstayed, or uncontested in good faith for a period of 60 days; or

(m) if a default occurs in the payment of the principal of or interest on any indebtedness of the University for borrowed money, as and when the same becomes due, or under any mortgage, agreement or other instrument under or pursuant to which such indebtedness is issued, and such default continues beyond the period of grace, if any, allowed with respect to such default, which default results in or permits the acceleration of such obligation prior to the date on which it would otherwise have become due and payable, unless such default and its consequences are being contested by the University in good faith by appropriate proceedings which operate to prevent the collection thereof and any levy or execution on any property of the University; *provided*, that if such default is remedied or cured by the University or is waived by the holders of such obligation, and if any such declaration is rescinded or annulled, then the event of default under the Indenture by reason thereof shall be deemed to have been cured; and *provided further*, that a default in payment shall not constitute an Event of Default unless the unpaid principal amount of such indebtedness, together with the unpaid principal amount of all other indebtedness so in default, exceeds $15,000,000.

Acceleration

Upon the occurrence of an Event of Default specified in subsection (c), (i), (k), (l) or (m) above (of which the Trustee is deemed to have notice pursuant to the Indenture), the Trustee may, without any action on the part of the owners, or upon the occurrence of an Event of Default specified in subsection (c), (i), (k), (l) or (m) above (of which the Trustee is deemed to have notice pursuant to the Indenture) and the written request of the owners of not less than 25% in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction as provided in the Indenture, the Trustee shall, or upon the occurrence and continuance of an Event of Default specified in subsection (a), (b), (d), (e), (f), (g), (h) or (j) above, the Trustee shall, declare the entire principal amount of the Bonds then outstanding under the Indenture and the interest accrued thereon immediately due and payable, and the entire principal and interest shall thereupon become and be immediately due and payable, subject, however, to the provisions of the Indenture with respect to waivers of Events of Default described under the heading "*Waiver of Events of Default*" below. The Trustee shall give notice of acceleration by first class mail, postage prepaid, to all owners of outstanding Bonds.

Remedies; Rights of Owners

Upon the occurrence and continuance of any Event of Default, the Trustee may, without any action on the part of the owners, or upon the occurrence and continuance of any Event of Default and the written request of the owners of not less than 25% in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction as provided in the Indenture, the Trustee shall, (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners under, and require the University to carry out any agreements with or for the benefit of the owners of Bonds and to perform its duties under, the Indenture; *provided,* that any such remedy may be taken only to the extent permitted under the applicable provisions of the Indenture; (b) bring suit upon the Bonds; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of Bonds; *provided,* that the Trustee may decline to comply with any such request or direction if the Trustee is advised by Independent Counsel that the action so requested may not lawfully be taken or the Trustee in good faith determines that such action would be unjustly prejudicial to the owners of Bonds not parties to such request or would involve the Trustee in personal liability.

No remedy conferred upon or reserved to the Trustee (or to the owners of Bonds) under the Indenture is intended to be exclusive of any other remedy, but each and every such remedy is cumulative and is in addition to any other remedy given to the Trustee or to the owners of Bonds under the Indenture now or subsequently existing at law or in equity or by statute; *provided*, that any conditions set forth in the Indenture to the taking of any remedy to enforce the provisions of the Indenture or the Bonds shall also be conditions to seeking any remedies under any of the foregoing pursuant to the provisions of the Indenture summarized under this heading.

No delay or omission of the Trustee or any owner of Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every such right and power given by the Indenture to the Trustee and the owners of Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Appointment of Receivers

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the owners of Bonds under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the rights and properties pledged under the Indenture and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Remedies Vested in Trustee

All rights of action including the right to file proof of claims under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production of such Bonds in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of the then outstanding Bonds, subject to the provisions of the Indenture.

Right of Owners to Direct Proceedings

The owners of not less than 51% in aggregate principal amount of Bonds then Outstanding may, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, including the appointment of a receiver or any other proceedings under the Indenture; *provided*, that such direction must be in accordance with the provisions of law and of the Indenture.

Rights and Remedies of Owners

No owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust of the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (i) a default has become an Event of Default, (ii) the owners of 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (iii) such owners have offered to the

Trustee indemnity as provided in the Indenture, and (iv) the Trustee subsequently fails or refuses to exercise the powers granted in the Indenture or by law, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture. No one or more owners of the Bonds shall have any right in any manner to affect, disturb or prejudice the lien of the Indenture by any action or to enforce any right under the Indenture except in the manner provided in the Indenture, and all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the owners of all Bonds outstanding. Nothing in the Indenture shall, however, (a) affect or impair the right of any owner to enforce the payment of the principal of and interest on any Bond at and after the Maturity Date, or (b) affect or impair the obligation of the University to pay the principal of and interest on each of the Bonds to their respective owners at the time and place, from the source and in the manner expressed in the Bonds.

Waiver of Events of Default

The Trustee may, in its discretion without any action on the part of the owners, waive any Event of Default and its consequences and rescind any declaration of acceleration of principal, and shall do so upon indemnification satisfactory to it and upon the written request of the owners of (a) at least 51% in aggregate principal amount of all of the Bonds Outstanding in respect of which default in the payment of principal and/or interest exists, or (b) at least 51% in aggregate principal amount of all of the Bonds Outstanding in the case of any other event of default; *provided*, that there shall not be waived (i) any Event of Default in the payment of the principal of any Outstanding Bonds when due whether by mandatory sinking fund redemption or on the Maturity Date, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission all arrears of interest, with interest thereon (to the extent permitted by law) at the interest rate per year borne by the Bonds in respect of which such default occurred on overdue installments of interest or all arrears of payments of principal when due, as the case may be, and all fees and expenses of the Trustee and any Paying Agent in connection with such default, including, without limitation, fees and expenses of their counsel have been paid or provided for.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the owners of Bonds, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Effect of Waiver or Rescission of Proceedings

In case of any such waiver or rescission or in case any proceeding taken by the Trustee on account of any such default have been discontinued or abandoned or determined adversely, then and in every such case the University, the Trustee and the owners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Application of Moneys Resulting from Pursuit of Remedies

All moneys received by the Trustee, by any receiver or by any owner of a Bond pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the outstanding fees, expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Sinking Fund, and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows:

(a) Unless the principal of all of the Bonds has become or has been declared due and payable, all of such moneys shall be applied (subject to the limitations imposed by the first sentence of the preceding paragraph):

FIRST: To the payment to the Persons entitled to them of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the rate of interest per year borne by the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled to such payment without any discrimination or privilege (such payments to be made from the Interest Fund);

SECOND: To the payment to the Persons entitled to it of the unpaid principal of any of the Bonds which shall have become due on the Maturity Date or pursuant to mandatory sinking fund redemption (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at the rate of interest per year borne by the Bonds from the respective dates upon which they became due, in the order of their due dates, and, if the amount available is not sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled to such payment without any discrimination or privilege (such payments to be made from the Bond Sinking Fund or the Redemption Fund, as applicable);

THIRD: To the payment to the Persons entitled to it of unpaid principal and interest due and owing on any Bonds, the payment of principal and interest of which has been extended in the manner described above under the heading "*Extension of Time for Payment*."

(b) If the principal of all of the Bonds shall have become due or shall have been declared due and payable, all of such moneys shall be applied (subject to the limitations imposed by the first sentence of the first paragraph under this heading):

To the payment of the principal and interest then due and unpaid upon the Bonds, with interest on overdue interest and principal, as aforesaid, 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, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled to such payment without any discrimination or privilege and then to the payment of the principal and interest then due and unpaid upon Bonds with respect to which the payment of principal and interest has been extended in the manner described above under the heading "*Extension of Time for Payment*."

(c) If the principal of all of the Bonds has been declared due and payable, and if such declaration is subsequently rescinded and annulled, then, subject to the provisions of paragraph (b) above which shall be applicable if the principal of all of the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Whenever moneys are to be applied pursuant to the provisions described above, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys (which shall not include the application of moneys upon the occurrence of an acceleration pursuant to the provisions of the Indenture described under the heading "*Acceleration*" above), it shall fix the date (which shall be an Interest Payment Date unless it deems another date more suitable) upon which such application is to commence and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it deems appropriate of the deposit with it of any such moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee is not required to make payment to the holder of any unpaid Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions described under this caption and all expenses and charges of the Trustee have been paid as described below under the heading "*Concerning the Trustee and the Paying Agents*," any balance remaining shall be paid to or to the order of the University as the University directs.

Supplemental Indentures Not Requiring Consent of Owners

Subject to the limitation set forth below under the heading "*Supplemental Indentures Requiring Consent of Owners*" as applicable to this section, the University and the Trustee may, without the consent of, or notice to, any of the owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture, as is not inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the owners and the Trustee, or either of them;

(c) to assign and pledge under, or subject to the Indenture, additional revenues, properties or collateral;

(d) to evidence the appointment of a separate Trustee or the succession of a new Trustee under the Indenture;

(e) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute subsequently in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(f) to provide for uncertificated Bonds or bearer or coupon Bonds;

(g) to provide for the refunding or advance refunding of any Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith;

(h) to effect changes in the Indenture so as to secure or maintain ratings from each Rating Agency in either of the two highest long-term debt rating categories (without regard to any refinement or gradation of rating category by numerical or other modifiers) of the applicable Rating Agency or Agencies, which changes will not restrict, limit or reduce the obligation of the University to pay the principal or Redemption Price of and interest on the Bonds as provided in the Indenture or otherwise adversely affect the owners of the Bonds under the Indenture; and

(i) to make any change that in the judgment of the Trustee does not materially adversely affect any owners of Bonds or the Trustee.

The University and the Trustee may not enter into a Indenture or indentures supplemental to the Indenture pursuant to paragraph (f) immediately above unless they have received an Opinion of Independent Counsel to the effect that, in the case of uncertificated Bonds, the issuance of uncertificated Bonds will not adversely affect the validity or enforceability in accordance with their terms of such Bonds and, in the case of bearer or coupon Bonds, the issuance of bearer or coupon Bonds complies with all applicable State and Federal laws. The Trustee may rely on an Opinion of Independent Counsel that such supplemental indenture complies with the provisions of the Indenture.

Supplemental Indentures Requiring Consent of Owners

In addition to supplemental indentures permitted by the provisions of the Indenture summarized above under the heading "*Supplemental Indentures Not Requiring Consent of Owners*," and subject to the terms and provisions described under this heading, the owners of not less than 51% in aggregate principal amount of the Bonds which are outstanding under the

Indenture at the time of the execution of such supplemental indenture have the right, from time to time, notwithstanding anything to the contrary in the Indenture, to consent to and approve the execution by the University and the Trustee of such other indenture or indentures supplemental to the Indenture as are deemed necessary and desirable by the University for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any indenture supplemental to the Indenture; *provided*, that none of the provisions described under this heading or under the heading "*Supplemental Indentures Not Requiring Consent of Owners*" will permit, or be construed as permitting, a supplemental indenture to effect: (i) with respect to any Bond, an extension of the Maturity Date of, or a reduction in the principal amount of, or a reduction in the Interest Rate on, or an extension of the time of paying interest on, or a reduction of the Redemption Price payable on the redemption of, such Bond, without the consent of the owner of such Bond; (ii) a reduction in the amount or extension of the time of any payment required to be made to or from the Interest Fund or the Bond Sinking Fund; (iii) the creation of any lien prior to or on a parity with the lien of the Indenture on the Property described in the Granting Clause of the Indenture or the deprivation of any owners of the lien created by the Indenture on such Property, without the consent of the owners of all of the Bonds at the time outstanding; (iv) a reduction in the aforesaid aggregate principal amount of Bonds the owners of which are required to consent to any such supplemental indenture, without the consent of the owners of all of the Bonds at the time outstanding which would be affected by the action to be taken; or (v) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

If at any time the University requests the Trustee to enter into a supplemental indenture for any of the permitted purposes described above, the Trustee must, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first class mail to the registered owners of the Bonds at their addresses as the same shall appear on the Bond Register. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies of the proposed supplemental indenture are on file at the Designated Office of the Trustee for inspection by all owners. The Trustee shall not, however, be subject to any liability to any owner by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplemental indenture when consented to and approved as provided under this heading. If the owners of the requisite principal amount of Bonds which are Outstanding under the Indenture at the time of the execution of any such supplemental indenture have consented to and approved the execution of such supplemental indenture as provided in the Indenture, no owner of any Bond may object to any of the terms and provisions contained in such supplemental indenture, or the operation or effect of such supplemental indenture, or in any manner question the propriety of the execution of such supplemental indenture, or enjoin or restrain the Trustee or the University from executing the same or from taking any action pursuant to the provisions of such supplemental indenture. Upon the execution of any such supplemental indenture, the Indenture will be and will be deemed to be modified and amended in accordance with such supplemental indenture.

Satisfaction of the Indenture

If the University pays or provides for the payment of the entire indebtedness on all Bonds outstanding (including, for the purpose of satisfying the Indenture, any Bonds held by the University) in any one or more of the following ways:

(a) by paying or causing to be paid the principal or 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 the Maturity Date, moneys in an amount sufficient to pay the principal of or to pay the Redemption Price (when redeemable) of all Bonds outstanding (including the payment of interest payable on such Bonds to the Maturity Date or the prior redemption dates of such Bonds), *provided*, that such moneys, if invested, must be invested in United States Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before the Maturity Date (the investment income on such United States Government Obligations may be used for any other purpose);

(c) by delivering to the Trustee, for cancellation by it, all Bonds outstanding; or

(d) by depositing with the Trustee, in trust, United States Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in such amount as will, together with the income or increment to accrue thereon, without consideration of any reinvestment of such amount, and with any uninvested cash, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds at or before the Maturity Date;

and if, in the event of a proposed defeasance under clauses (b) or (d), the University causes to be delivered to the Trustee a report of an independent firm of recognized certified public accountants or verification experts addressed to the University and the Trustee and in form and substance acceptable to the University and the Trustee, verifying the sufficiency of the escrow established to pay such Bonds in full; provided, however, that no such report need be delivered if (i) such Bonds will be paid and redeemed within 90 days of the date of any deposit of moneys or United States Government Obligations with the Trustee and (ii) the amount deposited with the Trustee is sufficient, without reinvestment, to pay the principal or redemption price, if applicable, and interest to become due on such Bonds on and prior to the redemption date or Maturity Date of such Bonds;

and if the University pays or causes to be paid all other sums payable under the Indenture by the University;

then and in that case the Indenture and the estate and rights granted under the Indenture shall cease, determine and become null and void, and thereupon the Trustee shall, upon Written Request of the University, and upon receipt by the Trustee of an Officer's Certificate and an Opinion of Independent Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Indenture and the lien of the Indenture. In such event, the Trustee shall assign, transfer and turn over to the University the trust estate under the Indenture, including, without limitation, any surplus in the Bond Sinking Fund and any balance remaining in any other fund created under the Indenture (other than said United States Government Obligations or other moneys deposited in trust as above provided). The satisfaction and discharge of the Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the University for any expenditures which it may subsequently incur in connection with the Indenture. The provisions of subparagraphs (b) and (d) above shall only apply if the Trustee and the University receive a notice in writing from each Rating Agency then maintaining a rating on the Bonds to be refunded that the rating on such Bonds will not be withdrawn or reduced from the rating borne by such Bonds immediately prior to such refunding. The Trustee shall cancel all Bonds surrendered for payment pursuant to subparagraphs (b) and (d) above.

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

Liability of University Not Discharged

Upon the deposit with the Trustee, in trust, on or before the Maturity Date, of moneys or United States Government Obligations in the necessary amount to pay or redeem all outstanding Bonds (whether on or prior to the Maturity Date or the prior redemption dates of such Bonds) and compliance with the other payment requirements described under the preceding heading (*provided*, that if such Bonds are to be redeemed prior to the Maturity Date, notice of such redemption shall have been given as provided in the Indenture or provisions satisfactory to the Trustee shall have been made for the giving of such notice), the Indenture may be discharged in accordance with the provisions of the Indenture, but the liability of the University in respect of such Bonds shall continue, *provided*, that the owners of such Bonds shall thereafter be entitled to payment only out of the moneys or the United States Government Obligations so deposited with the Trustee.

Provision for Payment of a Portion of Bonds

If the University pays or provides for the payment of the entire indebtedness on any portion of the Bonds, in one or more of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on such portion of the Bonds as and when the same shall become due and payable;

(b) by depositing with the Trustee, in trust, on or before the Maturity Date, moneys in an amount sufficient to pay principal of or pay the Redemption Price (when redeemable) of such portion of the Bonds (including the payment of interest payable on such portion of the Bonds to the Maturity Date or prior redemption dates of such Bonds); *provided*, that such moneys, if invested, must be invested in United States Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such portion of the Bonds at or before the Maturity Date (the investment income on such United States Government Obligations may be used for any other purpose);

(c) by delivering to the Trustee, for cancellation by it, such portion of such Bonds; or

(d) by depositing with the Trustee, in trust, United States Government Obligations which are not callable or subject to prepayment prior to the date the moneys therefrom are anticipated to be required in such amount as will, together with the income or increment to accrue thereon, without consideration of any reinvestment of such amount, and with any uninvested cash be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such portion of the Bonds at or before the Maturity Date;

and if, in the event of a proposed defeasance under clauses (b) or (d), the University causes to be delivered to the Trustee a report of an independent firm of recognized certified public accountants or verification experts addressed to the University and the Trustee and in form and substance acceptable to the University and the Trustee, verifying the sufficiency of the escrow established to pay such Bonds in full; provided, however, that no such report need be delivered if (i) such Bonds will be paid and redeemed within 90 days of the date of any deposit of moneys or United States Government Obligations with the Trustee and (ii) the amount deposited with the Trustee is sufficient, without reinvestment, to pay the principal or redemption price, if applicable, and interest to become due on such Bonds on and prior to the redemption date or Maturity Date of such Bonds;

and if the University also pays or causes to be paid all other sums payable under the Indenture by the University with respect to such portion of the Bonds;

and, if such portion of the Bonds is to be redeemed prior to the Maturity Date, if notice of such redemption shall have been given as provided in the Indenture or provisions satisfactory to the Trustee shall have been made for the giving of such notice;

then such portion of the Bonds shall cease to be entitled to any lien, benefit or security under the Indenture.

The liability of the University in respect of such Bonds or such portion of the Bonds shall continue but the owners of such Bonds shall thereafter be entitled to payment (to the exclusion of all other owners) only out of the moneys or United States Government Obligations deposited with the Trustee as aforesaid. The provisions of subparagraphs (b) and (d) of this paragraph shall only apply if the Trustee and the University receive a notice from each Rating Agency then maintaining a rating on the Bonds to be refunded that the rating on such Bonds will not be withdrawn or reduced from the rating borne by such Bonds immediately prior to such refunding. The Trustee shall cancel all Bonds surrendered for payment pursuant to subparagraphs (b) and (d) above.

Unclaimed Moneys

Any moneys deposited with the Trustee by the University in accordance with the terms of the Indenture, in order to redeem or pay any Bond in accordance with the provisions of the Indenture, and which remain unclaimed by the registered owner of the Bond for four years after the Maturity Date or, if earlier, the date fixed for redemption of such Bond, as the case may be, shall, if the University is not at the time to the knowledge of the Trustee in default with respect to any of the terms and conditions of the Indenture, or in the Bonds contained, be repaid by the Trustee to the University upon its Written Request; and thereafter the registered owner of the Bond shall be entitled to look only to the University for payment; *provided*, that the Trustee, before being required to make any such repayment, must, at the expense of the University, mail to the registered owner of the Bond at his address, as the same shall last appear on the Bond Register, a notice to the effect that said moneys have not been so applied and that after the date named in said notice any unclaimed balance of said moneys then remaining shall be returned to the University. If the University makes arrangements satisfactory to the Trustee to indemnify the Trustee for any costs which it may incur due to the unavailability of moneys due to such investment, such moneys may be invested in accordance with the provisions of the Indenture summarized under the heading "*Investment of Moneys Held by the Trustee*." Investment income on any such unclaimed moneys received by the Trustee shall be deposited as described under the heading "*Investment of Moneys Held by the Trustee*" until the Maturity Date or redemption date of the Bonds. Any such income generated after such date shall be deemed to be unclaimed moneys of the type referred to in the first sentence of this paragraph and shall be disposed of in accordance with such sentence.

Concerning the Trustee and the Paying Agents

Trustee Required. There must always be a Trustee under the Indenture. The Trustee must (a) be a commercial bank, commercial banking association or trust company organized under the laws of the United States of America or the State, authorized to exercise corporate trust powers, subject to supervision or examination by federal or state authorities, (b) have, with its parent bank or trust company, a reported combined capital and surplus of not less than $50,000,000 and (c) maintain a corporate trust office in the City of Chicago, Illinois, or the City of New York, New York, as its Designated Office. If at any time the Trustee ceases to be eligible, it is required to resign immediately. No resignation or removal of the Trustee and no appointment of a successor Trustee will become effective until the successor Trustee has accepted its appointment. When necessary to meet the requirements of any jurisdiction or in the case of litigation under the Indenture, the Trustee may appoint an additional individual or institution as a separate or co-trustee. If the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee shall be exercisable by and vest in such separate or co-trustee, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee will run to and be enforceable by either of them.

Replacement of the Trustee. The Trustee and any successor Trustee may resign at any time, or may be removed at any time (a) by the University with or without cause as long as no Event of Default has occurred and is continuing, and (b) by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding. A resignation or removal may take effect only upon the appointment and qualification of a successor Trustee and its acceptance of its appointment.

If the Trustee resigns or is removed, or is dissolved, or is in the process of dissolution or liquidation, or otherwise becomes incapable of acting under the Indenture, or if the Trustee is taken under the control of any public officer or officers, or of a receiver appointed by a court, then a vacancy shall exist in the office of Trustee and a successor may be appointed by the owners of 51% in aggregate principal amount of Bonds then Outstanding, with the prior written consent of the University, by filing with the University an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact duly authorized; *provided*, that in case of such vacancy the University, by an instrument executed and signed by an authorized officer of the University, may appoint a temporary Trustee to fill such vacancy until a successor Trustee is appointed by the owners in the manner above provided; and *provided further*, that if no permanent successor Trustee has been appointed by the owners within the six calendar months next succeeding the month during which the University appoints such a temporary Trustee, such temporary Trustee shall without any further action on the part of the University or the owners become the permanent successor Trustee. After any appointment by the University as provided in the Indenture, the University must cause notice of such appointment to be given by first class mail, postage prepaid, to all owners of Bonds and to each Rating Agency. The foregoing notwithstanding, any such temporary Trustee appointed by the University shall immediately and without further act be superseded by any successor Trustee so appointed by such owners as provided above within the six calendar months next succeeding the month during which such temporary Trustee is appointed.

If at any time the Trustee resigns or is removed and no appointment of a successor Trustee is made pursuant to the provisions of the Indenture described under this heading prior to the date specified in the notice of resignation or removal as the date when such resignation or removal is to take effect, the resigning or removed Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee. If no appointment of a successor Trustee is made pursuant to the provisions of the Indenture described under this heading within six calendar months after a vacancy occurs in the office of Trustee, any owner of Bonds may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it deems proper, appoint a successor Trustee.

Any banking association or corporation into which the Trustee may be merged, converted or with which the Trustee may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, transfer or consolidation to which the Trustee is a party, or any banking association or corporation is otherwise eligible under the Indenture, will be and become successor Trustee under the Indenture, vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor under the Indenture, without the execution or filing of any instrument or any further act, deed or conveyance on the part of either of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Duties of the Trustee; Standard of Care. The Trustee, prior to the occurrence of an Event of Default under the Indenture and after all Events of Default under the Indenture which may have occurred have been cured, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and to perform such trusts as would an ordinarily prudent trustee under a corporate indenture and no other implied covenants or obligations should be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee must exercise such of the rights and powers vested in it by the Indenture and must use the same degree of care as a prudent person would exercise in the circumstances in the conduct of such person's own affairs.

Before taking any action under the headings "*Acceleration*" and "*Application of Funds Resulting from Pursuit of Remedies*," the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liabilities which are adjudicated to have resulted from the Trustee's negligence or willful misconduct in connection with any action so taken, which might be incurred by it in complying with such request or direction. The Trustee is not required to take notice or be deemed to have notice of any default under the Indenture (except failure by the University to make any of the payments to the Trustee required to be made by the Indenture to pay principal or Redemption Price of and interest on the Bonds) unless the Trustee is specifically notified in writing of such default by the University or by the owners of at least 25% in aggregate principal amount of all Bonds then Outstanding. All notices or other instruments required to be delivered to the Trustee must, in order to be effective, be delivered at the Designated Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as provided in the previous sentence.

Trustee Compensation. The Trustee is entitled to payment and/or reimbursement for reasonable fees and for its services rendered under the Indenture (including services as Registrar, Paying Agent and authenticating agent) and all advances, reasonable counsel fees and other expenses reasonably and necessarily made or incurred in connection with such services and reasonable compensation for all extraordinary services rendered under the Indenture. Any additional Paying Agent is entitled to payment and reimbursement for its reasonable fees and charges as additional Paying Agent for the Bonds. Upon an Event of Default under the Indenture as described under the heading "*Events of Default*" above, but only upon such Event of Default, the Trustee and any additional Paying Agent shall have a right of payment prior to payment on account of principal or Redemption Price of or interest on any Bond for the foregoing advances, fees, costs and expenses incurred; *provided*, that in no event shall the Trustee or any such additional Paying Agent have any such prior right to payment, or claim therefor, against moneys or obligations deposited with or paid to the Trustee for the redemption or payment of Bonds which are deemed to have been paid in accordance with the Indenture.

Intervention by Trustee. The Trustee may intervene on behalf of the owners, and must intervene if requested in writing by the owners of at least 25% in aggregate principal amount of the Bonds then Outstanding, in any judicial proceeding to which the University is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interest of owners of the Bonds. The rights and obligations of the Trustee to intervene are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity be provided to it before it takes such action

Paying Agents. The Trustee is designated and agrees to act as principal Paying Agent and as Registrar for and in respect of the Bonds. The University may appoint one or more additional Paying Agents for the Bonds. Any such Paying Agent must be a commercial bank with trust powers or trust company organized under the laws of the United States of America or one of the states of the United States of America. Each Paying Agent other than the Trustee must signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the University and the Trustee a written acceptance. The University may remove any Paying Agent other than the Trustee and appoint a successor or successors; *provided,* that any such Paying Agent designated by the University must continue to be a Paying Agent of the University for the purpose of paying the principal and Redemption Price of and interest on the Bonds until the designation of a successor as such Paying Agent. Each Paying Agent is authorized to pay or redeem Bonds when duly presented to it for payment or redemption, which Bonds shall be delivered promptly to the Trustee for cancellation. The Paying Agents enjoy the same protective provisions in the performance of their duties under the Indenture as apply under the Indenture with respect to the Trustee insofar as such provisions may be applicable.

Holidays

Any covenant or other obligation in the Indenture required to be performed on a date that is not a Business Day may, at the University's option, be performed on the first Business Day thereafter.

[THIS PAGE INTENTIONALLY LEFT BLANK]

NORTHWESTERN UNIVERSITY • TAXABLE FIXED RATE BONDS, SERIES 2020

NORTHWESTERN
UNIVERSITY

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

Printed by: ImageMaster, LLC
www.imagemaster.com