NEW ISSUE — BOOK-ENTRY ONLY **Ratings: See "RATINGS" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series V-2 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series V-2 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series V-2 Bonds.

$300,400,000
CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS (STANFORD UNIVERSITY) SERIES V-2
(Sustainability Bonds – Climate Bond Certified)

Dated: Date of Delivery **Due: April 1, as shown below**

The $300,400,000 California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-2 (the "Series V-2 Bonds") will be issued in book-entry form in denominations of $5,000 or any integral multiple thereof. Interest on the Series V-2 Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2021. The Series V-2 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series V-2 Bonds. Principal (or Redemption Price) of and interest on the Series V-2 Bonds will be payable directly to DTC, as the registered owner of the Series V-2 Bonds, by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). For so long as DTC or its nominee, Cede & Co., is the registered owner of the Series V-2 Bonds, all notices will be mailed only to Cede & Co. See Appendix C – "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" herein.

The Series V-2 Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES V-2 BONDS – Redemption and Redemption Price."

The Series V-2 Bonds are being issued by the California Educational Facilities Authority (the "Authority") for the benefit of The Board of Trustees of the Leland Stanford Junior University (the "University") pursuant to an Indenture, dated as of April 1, 2019 (the "Original Indenture"), as supplemented by the First Supplemental Indenture, dated as of April 1, 2021 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), each by and between the Authority and the Trustee. The Series V-2 Bonds are limited obligations of the Authority payable only out of Revenues as defined in the Indenture and other amounts held in the funds and accounts established by the Indenture. The Revenues consist primarily of loan payments to be made under a Loan Agreement (as defined herein) by

STANFORD UNIVERSITY

The University plans to use the proceeds of the Series V-2 Bonds to (i) pay the principal amount of the California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-5 maturing on May 1, 2021, and (ii) finance or refinance certain capital projects of the University, as further described herein. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The University has other unsecured general obligations outstanding. Moreover, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement. See "SECURITY FOR THE SERIES V-2 BONDS" herein.

THE SERIES V-2 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS THEREFOR PROVIDED. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF THE SERIES V-2 BONDS OR THE INTEREST THEREON EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND THE OTHER ASSETS PLEDGED UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR THE INTEREST ON THE SERIES V-2 BONDS. THE ISSUANCE OF THE SERIES V-2 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Series V-2 Bonds will be issued as "Sustainability Bonds – Climate Bond Certified." The University has engaged

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to verify the certification of the Series V-2 Bonds as Climate Bond Certified and to provide an opinion regarding the conformance of the Series V-2 Bonds with the four pillars of the International Capital Market Association Sustainability Bond Guidelines. See "DESIGNATION OF THE SERIES V-2 BONDS AS SUSTAINABILITY BONDS – CLIMATE BOND CERTIFIED" and Appendix F – "VERIFIER'S REPORT AND SECOND PARTY OPINION."

This cover page contains certain information for quick reference only. It is not a summary of this issue. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.

MATURITY SCHEDULE

$155,000,000 2.250% Term Bond due April 1, 2051 Yield 2.400% CUSIP†: 130179TM6
$145,400,000 5.000% Term Bond due April 1, 2051 Yield 2.420% CUSIP†: 130179TN4

The Series V-2 Bonds are offered by the Underwriters when, as and if issued by the Authority and accepted by the Underwriters subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by the Honorable Matthew Rodriquez, Acting Attorney General of the State of California, for the Underwriters by Hawkins Delafield & Wood LLP, and for the University by its General Counsel and Ropes & Gray LLP. It is expected that the Series V-2 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about April 28, 2021.

HONORABLE FIONA MA
Treasurer of the State of California
As Agent for Sale

BofA Securities

Wells Fargo Securities **Morgan Stanley** **Siebert Williams Shank & Co., LLC**

Dated: April 7, 2021

† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP number is provided for convenience of reference only. None of the Authority, the University or the Underwriters take any responsibility for the accuracy of such number.

This Official Statement does not constitute an offer to sell the Series V-2 Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the Authority, the University or the Underwriters to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series V-2 Bonds and, if given or made, such information or representations must not be relied upon.

The information relating to the Authority set forth herein under the captions "THE AUTHORITY" and "REGULATORY MATTERS AND LITIGATION – The Authority" has been furnished by the Authority. The Authority does not warrant the accuracy of the statements contained herein relating to the University, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the University, (2) the sufficiency of the security for the Series V-2 Bonds or (3) the value or investment quality of the Series V-2 Bonds. The Authority makes no representations or warranties whatsoever with respect to any information contained herein except for the information under the captions "THE AUTHORITY" and "REGULATORY MATTERS AND LITIGATION – The Authority."

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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.

Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University since the date hereof. See "CERTAIN INVESTMENT CONSIDERATIONS" herein.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES IN THIS SECTION TO THE "ISSUER" MEAN THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS (STANFORD UNIVERSITY) SERIES V-2.

THE INFORMATION UNDER THIS CAPTION HAS BEEN FURNISHED BY THE UNDERWRITERS. THE ISSUER THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY (THE "UNIVERSITY") MAKE NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION.

COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS, AND THE ISSUER AND THE UNIVERSITY SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH. NO ACTION HAS BEEN TAKEN BY THE ISSUER OR THE UNIVERSITY THAT WOULD PERMIT THE OFFERING OR SALE OF THE BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

THE BONDS MAY BE SOLD 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 OFFICIAL STATEMENT (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 (OR, IN THE CASE OF SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF A NON-CANADIAN JURISDICTION, SECTION 3A.4) 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 PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (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 TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION); OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS 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 SECURITIES IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

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

PROHIBITION OF SALES TO EEA OR THE UNITED KINGDOM RETAIL INVESTORS – THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR (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. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT 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 OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (THE "FINSA"), AND NO APPLICATION HAS BEEN OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING

FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS (1) CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA OR (2) HAS BEEN OR WILL BE FILED WITH OR APPROVED BY A SWISS REVIEW BODY PURSUANT TO ARTICLE 52 OF THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

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

THIS DOCUMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) ("SFO"). THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS DOCUMENT OR ANY OTHER DOCUMENT, AND THIS DOCUMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO `PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO `PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO.25 OF 1948, AS AMENDED THE "FIEA"). IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SINCE THE OFFERING CONSTITUTES THE PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS ONLY AS PROVIDED FOR IN "I" OF ARTICLE 2, PARAGRAPH 3, ITEM 2 OF THE FIEA. A TRANSFEROR OF THE BONDS SHALL NOT TRANSFER OR RESELL THEM EXCEPT WHERE A TRANSFEREE IS A QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED UNDER ARTICLE 10 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS PROVIDED IN ARTICLE 2 OF THE FIEA (THE MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED).

NOTICE TO PROSPECTIVE INVESTORS IN SOUTH KOREA

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN SOUTH KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FSCMA"). THE BONDS MAY NOT BE OFFERED, REMARKETED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED, REMARKETED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF SOUTH KOREA AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FETL")) WITHIN ONE YEAR OF THE ISSUANCE OF THE BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE SOUTH KOREAN LAWS AND REGULATIONS, INCLUDING THE FSCMA AND THE FETL.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA ("TAIWAN") AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND MAY NOT BE ISSUED, OFFERED, OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN OR RELEVANT LAWS AND REGULATIONS THAT REQUIRES A REGISTRATION, FILING OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE OUTSIDE TAIWAN BY INVESTORS RESIDING IN TAIWAN DIRECTLY, BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY TO THE EXTENT PERMITTED BY APPLICABLE LAWS OR REGULATIONS.

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$300,400,000
CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS (STANFORD UNIVERSITY)
SERIES V-2
(Sustainability Bonds – Climate Bond Certified)

INTRODUCTION

This Introduction does not purport to be complete, and reference is made to the remainder of this Official Statement, the Appendices and the documents referred to herein for more complete statements with respect to the matters summarized. Capitalized terms not otherwise defined will have the meanings set forth in Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions."

General

This Official Statement, including the cover page and Appendices hereto (this "Official Statement"), provides certain information in connection with the offering of $300,400,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-2 (the "Series V-2 Bonds").

The Series V-2 Bonds will be issued pursuant to the provisions of the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State of California, as amended (the "Act"), and the Indenture (defined below).

The Series V-2 Bonds will be issued pursuant to and secured by an Indenture, dated as of April 1, 2019 (the "Original Indenture"), as supplemented by the First Supplemental Indenture, dated as of April 1, 2021 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), between the California Educational Facilities Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Authority will lend the proceeds of the Series V-2 Bonds to The Board of Trustees of the Leland Stanford Junior University (the "University") pursuant to a Loan Agreement, dated as of April 1, 2019, as supplemented by the First Supplemental Loan Agreement, dated as of April 1, 2021 (as supplemented, the "Loan Agreement"), between the Authority and the University.

Purpose of the Series V-2 Bonds

The Authority approved the issuance of the Series V-2 Bonds to finance and/or refinance certain capital projects of the University pursuant to Resolution No. 323, adopted on February 28, 2019, as supplemented by the First Amendment to and Reinstatement of Resolution No. 323, adopted on March 25, 2021 (together, the "Series V Resolution").

The Authority will lend the proceeds of the Series V-2 Bonds to the University pursuant to the Loan Agreement in order to (i) pay the principal amount of the California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-5 maturing on May 1, 2021, in the aggregate principal amount of $124,115,000 (the "Series U-5 Bonds"), and (ii) finance or refinance certain capital projects of the University. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

The University

Founded in 1885, The Leland Stanford Junior University is one of a select group of universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body.

For additional information concerning the University, see Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)" attached hereto.

The Series V-2 Bonds

The Series V-2 Bonds are to be dated as of the date of their initial issuance and delivery. The Series V-2 Bonds are issuable in fully registered, book-entry form, and have interest and payment terms as set forth in the Indenture and as described herein. See "THE SERIES V-2 BONDS."

The Depository Trust Company ("DTC") will act as securities depository for the Series V-2 Bonds. The Series V-2 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's nominee name) 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 Series V-2 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Beneficial interests in the Series V-2 Bonds may be held through DTC, Clearstream Banking, S.A. or Euroclear Bank SA/NV as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system. See Appendix C – "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" for a description of DTC, Clearstream Banking, S.A., Euroclear Bank SA/NV as operator of the Euroclear System, and certain of their responsibilities, and the provisions for registration and registration of transfer of the Series V-2 Bonds if the book-entry-only system of registration is discontinued.

Designation of Series V-2 Bonds as "Sustainability Bonds – Climate Bond Certified"

The Series V-2 Bonds will be issued as "Sustainability Bonds – Climate Bond Certified." The University has engaged Kestrel Verifiers ("Kestrel Verifiers") to verify the certification of the Series V-2 Bonds as Climate Bond Certified and to provide an opinion regarding the conformance of the Series V-2 Bonds with the four pillars of the International Capital Market Association ("ICMA") Sustainability Bond Guidelines. See "DESIGNATION OF THE SERIES V-2 BONDS AS SUSTAINABILITY BONDS – CLIMATE BOND CERTIFIED" and Appendix F – "VERIFIER'S REPORT AND SECOND PARTY OPINION."

Security for the Series V-2 Bonds

The Series V-2 Bonds are payable from loan payments to be paid by the University to the Trustee pursuant to the Loan Agreement. The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The University has other unsecured general obligations outstanding. The Loan Agreement contains certain covenants for the protection of the Holders of the Series V-2 Bonds and the Authority. See Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Loan Agreement." The Series V-2 Bonds are not secured by a reserve fund, or a lien on, or security interests in, any funds, revenues or other assets of the University, except to the extent pledged pursuant to the Indenture as described below. The affiliates of the University described in Appendix A hereto are not obligated with respect to the payment of debt service on the Series V-2 Bonds and their assets and revenues are not pledged and are not expected to be available to the University or the Series V-2 Bondholders for such purpose.

The Indenture provides that all Series V-2 Revenues and any other amounts (including proceeds of the sale of Series V-2 Bonds) held in the funds and accounts with respect to the Series V-2 Bonds (the "Series V-2 Funds and Accounts") held by the Trustee and established pursuant to the Indenture (other than the Series V-2 Rebate Account) are to be held in trust and are exclusively and irrevocably pledged for the security and payment of the principal of and interest on the Series V-2 Bonds. "Series V-2 Revenues" include the payments received by the Authority or the Trustee from the University related to the Series V-2 Bonds pursuant to or with respect to the Loan Agreement. See "SECURITY FOR THE SERIES V-2 BONDS" herein. The Authority had previously issued its Revenue Bonds (Stanford University), Series V-1 (the "Series V-1 Bonds") pursuant to the Original Indenture. Series V-2 Revenues do not include the payments received by the Authority or the Trustee from the University related to the Series V-1 Bonds pursuant to or with respect to the Loan Agreement (the "Series V-1 Revenues"). The Series V-1 Revenues are not pledged for the security and payment of the principal of and interest on the Series V-2 Bonds.

For additional information concerning the provisions of the Indenture and the Loan Agreement, see Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Continuing Disclosure

The University will undertake in a Continuing Disclosure Agreement, for the benefit of the Holders of the Series V-2 Bonds, to provide to the Trustee certain annual information and notices required to be provided by Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). See "CONTINUING DISCLOSURE" and Appendix D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Miscellaneous

Included in this Official Statement and the Appendices hereto are descriptions of the University, the Series V-2 Bonds, the Indenture and the Loan Agreement. All references herein to the Indenture, the Loan Agreement and other documents relating to the Series V-2 Bonds are qualified in their entirety by reference to such documents, and the description herein of the Series V-2 Bonds is qualified in its entirety by reference to the terms thereof and the information regarding the Series V-2 Bonds included in the Indenture. All descriptions are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors' rights. The agreements of the Authority with the Holders of the Series V-2 Bonds are fully set forth in the Indenture, and neither any advertisement of the Series V-2 Bonds nor this Official Statement is to be construed as constituting an agreement with the Holders of the Series V-2 Bonds. Insofar as any statements are made in this Official Statement involving matters of opinion, regardless of whether expressly so stated, they are intended merely as such and not as representations of fact. The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University.

Additional information regarding this Official Statement and copies of the documents referred to herein may be obtained by contacting the Office of the Treasurer, Stanford University at https://treasurer.stanford.edu/ or on-line at http://bondholder-information.stanford.edu/home.html. The information on the University's website is not a part of this Official Statement.

THE AUTHORITY

General

The Authority is a public instrumentality of the State of California created pursuant to the provisions of the Act. The Authority is authorized to issue the Series V-2 Bonds under the Act, to make the loan contemplated by the Loan Agreement and to secure the Series V-2 Bonds by the pledge of the Series V-2 Revenues received by the Authority pursuant to the Loan Agreement and certain other sources of payment as provided in the Indenture, including amounts held in the Series V-2 Funds and Accounts (excluding the Series V-2 Rebate Account).

Organization and Membership

The membership of the Authority consists of the Treasurer, the Controller and the Director of Finance of the State of California and two members appointed by the Governor of the State of California. Of the two appointed members, one must be affiliated with a public institution of higher education as a governing board member or in an administrative capacity and the other must be affiliated with a private institution of higher education as a governing board member or in an administrative capacity.

Outstanding Indebtedness of the Authority

The Act does not limit the amount of indebtedness the Authority may have outstanding from time to time. As of December 31, 2020, the Authority had outstanding $4,289,308,191 aggregate principal amount of bonds and notes (excluding certain bonds and notes which have been defeased) issued on behalf of various California independent colleges and universities.

PLAN OF FINANCE

The Authority will lend the proceeds of the Series V-2 Bonds to the University to pay the principal amount of the Series U-5 Bonds maturing on May 1, 2021, in the aggregate principal amount of $124,115,000. The University used the proceeds of the Series U-5 Bonds to refinance certain capital projects of the University by paying down commercial paper issued by the University that was applied to pay a portion of the California Educational Facilities Authority Revenue Bonds (Stanford University) Series T-4 at maturity.

Pursuant to the terms of the Indenture and the Loan Agreement, the Trustee will transfer a portion of the proceeds of the Series V-2 Bonds to the trustee of the Series U-5 Bonds (the "Series U-5 Trustee"), which shall deposit such funds into the Bond Fund established under the indenture pursuant to which the Series U-5 Bonds were issued (the "Series U-5 Indenture"). The amounts deposited in such Bond Fund will be held uninvested by the Series U-5 Trustee and will be applied to pay the principal of the Series U-5 Bonds maturing on May 1, 2021, in accordance with the applicable provisions of the Series U-5 Indenture. Accrued interest due on the Series U-5 Bonds will be paid with amounts provided by the University in accordance with the Series U-5 Indenture. Amounts on deposit in such Bond Fund will not be available to pay the Series V-2 Bonds.

A portion of the proceeds of the Series V-2 Bonds will also be used to finance or refinance certain capital projects of the University approved pursuant to the Series V Resolution (the "Series V Project"). The projects to be financed or refinanced using Series V-2 Bond proceeds are projects that qualify the designation of Series V-2 Bonds as Climate Bond Certified and as Sustainability Bonds. See "DESIGNATION OF THE SERIES V-2 BONDS AS SUSTAINABILITY BONDS – CLIMATE BOND CERTIFIED" herein.

The Indenture provides that additional series of bonds may be issued after satisfying certain conditions under the Indenture. However, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement. See "SECURITY FOR THE SERIES V-2 BONDS" and Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." After the issuance of the Series V-2 Bonds, $74,600,000 in bonds will remain authorized and unissued under the Series V Resolution.

SOURCES AND USES OF FUNDS

Estimated sources and uses of funds related to the Series V-2 Bonds are shown below:

SOURCES:	
Principal amount of the Series V-2 Bonds	$300,400,000.00
Plus Net Original Issue Premium	74,597,928.00
University Contribution	1,444,185.22
Total Sources	$376,442,113.22
USES:	
Series V Projects	$250,882,928.00
Payment of Series U-5 Bonds[(1)]	124,115,000.00
Costs of Issuance[(2)]	1,444,185.22
Total Uses	$376,442,113.22

(1) Series V-2 Bond proceeds will be used to pay the principal amount of the Series U-5 Bonds.

(2) Costs of issuance will be paid out of the University's contribution and includes fees of the Authority, the Rating Agencies, the Trustee, Bond Counsel, Counsel to the University and the Underwriters' compensation, as well as certain other costs incurred in connection with the issuance and delivery of the Series V-2 Bonds.

THE SERIES V-2 BONDS

General

The Series V-2 Bonds will be issued in book-entry form in denominations of $5,000 or any integral multiple thereof. The Series V-2 Bonds are being issued in the aggregate principal amount and will mature on the date set forth on the cover page hereof. The Series V-2 Bonds are to be dated as of the date of their initial issuance and delivery and will bear interest from such date at the rates set forth on the cover page hereof. Interest on the Series V-2 Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2021, and will be calculated based on a 360-day year of twelve (12) 30-day months.

The Series V-2 Bonds will be issued only in book-entry form and, when issued, will be registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC as nominee of DTC. DTC will act as securities depository for the Series V-2 Bonds. See Appendix C – "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES." Except as described in Appendix C – "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES," Beneficial Owners of the Series V-2 Bonds will not receive, or have the right to receive, physical delivery of certificates representing their ownership interests in the Series V-2 Bonds. For so long as any purchaser is the Beneficial Owner of a Series V-2 Bond, such purchaser must maintain an account with a broker or dealer who is or acts through a Direct Participant (as defined in Appendix C) to receive payment of the principal (or Redemption Price) and interest on such Series V-2 Bond.

Interest payable on any Interest Payment Date will be payable to the registered owner of the Series V-2 Bonds (a "Holder" or "Series V-2 Bondholder") as of the close of business on the Record Date for such Interest Payment Date. So long as the Series V-2 Bonds are held in the book-entry system, the principal (or Redemption Price) and interest on the Series V-2 Bonds will be paid through the facilities of DTC (or a successor securities depository). Otherwise, the principal (or Redemption Price) of the Series V-2 Bonds is payable in lawful money of the United States of America upon surrender thereof at the principal corporate trust office of the Trustee, and interest on the Series V-2 Bonds is payable by check mailed on each Interest Payment Date to the Holders of the Series V-2 Bonds at the close of business on the Record Date for each Interest Payment Date at the addresses of Holders as they appear on the registration books of the Trustee. In the case of a Holder of all of the Series V-2 Bonds and any Holder of the Series V-2 Bonds in an aggregate principal amount in excess of $1,000,000 who, prior to the Record Date next preceding any Interest Payment Date, has provided the Trustee with written wire transfer instructions to a bank or trust company located in the United States of America, interest payable on such Series V-2 Bonds will be paid in accordance with the wire transfer instructions provided by the Holder of such Series V-2 Bond and at the Holder's risk and expense.

Pursuant to the Indenture, the Trustee will require the Series V-2 Bondholder requesting a transfer or exchange of any Series V-2 Bond to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange, and the Trustee also may require the Series V-2 Bondholder requesting a transfer or exchange of any Series V-2 Bond to pay a reasonable sum to cover expenses incurred by the Trustee or the Authority in connection with such transfer or exchange.

Redemption and Redemption Price

Optional Redemption of Series V-2 Bonds bearing interest at 2.250%. The Series V-2 Bonds bearing interest at 2.250% are subject to optional redemption prior to stated maturity, as a whole or in part, on any date on or after April 1, 2031, by the Authority at the direction of the University from any moneys received by the Trustee from the University pursuant to the Loan Agreement and deposited in the Optional Redemption Account at a Redemption Price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date.

Make-Whole Redemption of Series V-2 Bonds bearing interest at 5.000%. The Series V-2 Bonds bearing interest at 5.000% (the "5.000% Series V-2 Bonds") are subject to optional redemption prior to their stated maturity, as a whole or in part on any date, by the Authority at the direction of the University, from any moneys received by the Trustee from the University pursuant to the Loan Agreement and deposited in the Optional Redemption Account, at a Redemption Price equal to the greater of:

- one hundred percent (100%) of the Amortized Value (as described below) of such 5.000% Series V-2 Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption; or

- an amount equal to the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such 5.000% Series V-2 Bonds to be redeemed from and including the date of redemption to the stated maturity date of such 5.000% Series V-2 Bonds, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (as described below) for such 5.000% Series V-2 Bonds minus 12.5 basis points (0.125%).

The "Applicable Tax-Exempt Municipal Bond Rate" for such 5.000% Series V-2 Bonds will be the "Comparable AAA General Obligations" yield curve rate for the stated maturity date of such 5.000% Series V-2 Bonds as published by Municipal Market Data five (5) business days, but not more than ten (10) business days, prior to the date of redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight-line basis.

In calculating the Applicable Tax-Exempt Municipal Bond Rate, should Municipal Market Data no longer publish the "Comparable AAA General Obligations" yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Consensus Scale yield curve rate published by Municipal Market Advisors for the applicable year.

In the further event that Municipal Market Advisors no longer publishes the Consensus Scale, the Applicable Tax-Exempt Municipal Bond Rate for the 5.000% Series V-2 Bonds will be determined by BofA Securities, Inc. or a successor determined by the University, as the quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") with a maturity date equal to the stated maturity date of such 5.000% Series V-2 Bonds having characteristics (other than the ratings) most comparable to those of such 5.000% Series V-2 Bonds in the judgment of the quotation agent. The quotation agent's determination of the Applicable Tax-Exempt Municipal Bond Rate is final and binding in the absence of manifest error.

The "Amortized Value" will equal the principal amount of the 5.000% Series V-2 Bonds to be redeemed multiplied by the price of such 5.000% Series V-2 Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such 5.000% Series V-2 Bonds and a yield equal to such 5.000% Series V-2 Bonds' original reoffering yield as set forth on the cover of this Official Statement.

The Redemption Price of the 5.000% Series V-2 Bonds described above will be determined by an independent accounting firm, investment banking firm or financial advisor (which accounting firm or financial advisor shall be retained by the University at the expense of the University) to calculate such Redemption Price. The Trustee, the Authority and the University may conclusively rely on such accounting firm's, investment banking firm's or financial advisor's determination of such Redemption Price and will bear no liability for such reliance.

No Mandatory Sinking Fund Redemption. The Series V-2 Bonds are not subject to mandatory redemption prior to their stated maturities.

Selection of Series V-2 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series V-2 Bonds, the Trustee will select the Series V-2 Bonds to be redeemed, from all Series V-2 Bonds subject to redemption or such given portion thereof not previously called for redemption, in such order as will be specified in a Request of the University or, if there is no such Request, in the order of maturity, and by lot within a maturity. The Trustee will promptly notify the Authority in writing of the numbers of the Series V-2 Bonds so selected for redemption.

Notice of Redemption. Not less than five (5) days (or such shorter time as may be agreed to by the University and the Trustee) prior to the date that notice of redemption is due to be given by the Trustee in accordance with the following sentence, the University will provide written notice to the Trustee and the Authority regarding its intent to prepay all or any part of Base Loan Payments pursuant to the Loan Agreement. After receipt of such notice of prepayment pursuant to the Loan Agreement, notice of redemption will be given by the Trustee for and on behalf of the Authority, by Mail, not less than twenty (20) days nor more than sixty (60) days prior to the date fixed for redemption, to: (1) the Authority, (2) the Holder of each Series V-2 Bond affected at the address shown on the registration books of the Trustee on the date such notice is mailed, (3) the Depository, (4) the Municipal Securities Rulemaking Board, and (5) in the case of optional redemption, each Rating Agency then rating the Series V-2 Bonds.

Each notice of redemption will state the date of such notice, the Series V-2 Bonds to be redeemed, the date of issue of the Series V-2 Bonds, the date fixed for redemption, the Redemption Price of the Series V-2 Bonds to be redeemed, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the source of funds for any optional redemption and, as further described in the following paragraph, if such funds are not then held by the Trustee, that such redemption will be cancelled if the funds are not held by the Trustee on the date fixed for redemption, the CUSIP number of the Series V-2 Bonds, the principal amount, the distinctive certificate numbers of the Series V-2 Bonds or portions thereof to be redeemed, the interest rate on the Series V-2 Bonds to be redeemed and will also state that the interest on the Series V-2 Bonds designated for redemption will cease to accrue from and after such date fixed for redemption and that on said date there will become due and payable on each of said Series V-2 Bonds the principal amount thereof to be redeemed, interest accrued thereon to the date fixed for redemption and the Redemption Price thereof and will require that such Series V-2 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the securities information services or depositories designated by the University or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Holders of any Series V-2 Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Notice of redemption of Series V-2 Bonds will be given by the Trustee, at the expense of the University, for and on behalf of the Authority.

With respect to any notice of optional redemption of Series V-2 Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal (or Redemption Price) of and interest on such Series V-2 Bonds to be redeemed and that, if such moneys will not have been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Series V-2 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Any notice given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the University no later than five (5) Business Days prior to the date fixed for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Indenture.

So long as the book-entry system is in effect, the Trustee will send each notice of redemption to Cede & Co., as nominee of DTC, and not to the Beneficial Owners. So long as DTC or its nominee is the sole registered owner of the Series V-2 Bonds under the book-entry system, any failure on the part of DTC or a Direct Participant or Indirect Participant to notify the Beneficial Owner so affected will not affect the validity of the redemption.

Partial Redemption of Series V-2 Bonds. Upon surrender of any Series V-2 Bond redeemed in part only, the Trustee will provide a replacement Series V-2 Bond in a principal amount equal to the portion of such Series V-2 Bond not redeemed, and deliver it to the registered owner thereof. The Series V-2 Bond so surrendered will be cancelled by the Trustee as provided in the Indenture. The Authority and the Trustee will be fully released and discharged from all liability to the extent of payment of the Redemption Price for such partial redemption.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price (including accrued interest to the date fixed for redemption) being held by the Trustee, Series V-2 Bonds so called for redemption will, on the date fixed for redemption designated in such notice, become due and payable at the Redemption Price specified in such notice, interest on the Series V-2 Bonds so called for redemption will cease to accrue, said Series V-2 Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the Holders of said Series V-2 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price thereof. If such moneys are invested, they will be invested only in United States Government Obligations having a maturity of thirty (30) days or less.

All Series V-2 Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and delivered to or upon the Order of the Authority.

Mandatory Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any Series V-2 Bond, irrevocably grants to the University the option to purchase such Series V-2 Bond at any time such Series V-2 Bond is subject to optional redemption as provided in the Indenture, at a purchase price equal to one hundred percent (100%) of the then applicable Redemption Price of such Series V-2 Bond. In order to exercise such option, the University will deliver to the Trustee and the Authority a Favorable Opinion of Bond Counsel to the effect that such purchase will not, in and of itself, cause the interest on the Series V-2 Bonds to be included in gross income, and the University will direct the Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture. On the date fixed for purchase of any Series V-2 Bond pursuant to the Indenture, the University will pay the purchase price of such Series V-2 Bond to the Trustee in immediately available funds and the Trustee will pay the same to the Holders of Series V-2 Bonds being purchased against delivery thereof. Following such purchase, the Trustee will register such Series V-2 Bonds in accordance with the written instructions of the University. No purchase of any Series V-2 Bond pursuant to the Indenture will operate to extinguish the indebtedness evidenced by such Series V-2 Bond. No Holder may elect to retain a Series V-2 Bond subject to mandatory purchase pursuant to the Indenture. The University may exercise its option to purchase Series V-2 Bonds, in whole or in part, in accordance with the Indenture and may rescind any notice of mandatory purchase delivered pursuant to the Indenture at any time on or prior to the date of mandatory purchase specified in the notice of mandatory purchase delivered pursuant to the Indenture.

DESIGNATION OF THE SERIES V-2 BONDS AS SUSTAINABILITY BONDS – CLIMATE BOND CERTIFIED

The information set forth under this heading was provided by Kestrel Verifiers, and the Authority, the University and the Underwriters do not take any responsibility for the accuracy, completeness or adequacy of the information under this heading.

Designation of the Series V-2 Bonds as Climate Bond Certified

The Climate Bonds Initiative ("CBI") has established a certification program that provides criteria for eligible projects to be financed through a Certified Climate Bond. Criteria are intended to ensure that financed activities are consistent with the 2 degrees Celsius warming limit established in the 2016 Paris Agreement which exists within the United Nations Framework Convention on Climate Change, to address greenhouse-gas-emissions mitigation, adaptation, and finance.

Kestrel Verifiers is a third-party agent accredited and approved by CBI to provide verification to the CBI Certification Board that Series V-2 Bonds meet the CBI standards and relevant sector criteria. Kestrel Verifiers has reviewed and provided verification to CBI, and CBI has certified, the Series V-2 Bonds as Climate Bonds on April 1, 2021. Within 24 months of issuance, Kestrel Verifiers will also provide a Post-Issuance Report to CBI as to whether the proceeds of the Series V-2 Bonds have been allocated to projects consistent with the Climate Bonds Standard V3.0.

The designation of the Series V-2 Bonds as "Climate Bond Certified" is not intended to provide or imply that the owners of the Series V-2 Bonds are entitled to any security other than that described under the heading "SECURITY FOR THE SERIES V-2 BONDS."

The designation of the Series V-2 Bonds as Climate Bonds by the Climate Bonds Standard Board ("CBSB") is based solely on the Climate Bonds Standard and criteria and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Series V-2 Bonds or the financed activities.

The designation of the Series V-2 Bonds as Climate Bonds by the CBSB was addressed solely to the University's Office of the Treasurer and is not a recommendation to any person to purchase, hold or sell the Series V-2 Bonds and such certification does not address the market price or suitability of the Series V-2 Bonds for a particular investor. The certification also does not address the merits of the decision by the purchaser or any third party to participate in any nominated project and does not express and should not be deemed to be an expression of an opinion as to the University or any aspect of the financed or refinanced projects (including but not limited to the financial viability of the projects) other than with respect to conformance with CBI's standards for certification.

In issuing or monitoring, as applicable, the certification, CBI and Kestrel Verifiers have assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to CBI and Kestrel Verifiers. CBI does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or for undertaking (and it has not undertaken) any independent evaluation of any nominated project or the University.

In addition, CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of any nominated project. The certification may only be used with the Series V-2 Bonds and may not be used for any other purpose without CBI's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Series V-2 Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time at CBI's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

Sustainability Bonds Designation

Per the International Capital Market Association ("ICMA"), Sustainability Bonds are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects. Sustainability Bonds are aligned with the four core components of both the Green Bonds Principles and Social Bonds Principles. The four core components are: Use of Proceeds; Process for Project Evaluation and Selection; Management of Proceeds; and Reporting.

Kestrel Verifiers has provided an independent Second Party Opinion on the Sustainability Bond designation and has determined that the Series V-2 Bonds are in conformance with the four pillars of the ICMA Sustainability Bond Guidelines, as described in Kestrel Verifiers' Second Party Opinion, which is attached hereto as Appendix F.

The Second Party Opinion issued by Kestrel Verifiers does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Series V-2 Bonds. Designations by Kestrel Verifiers are not a recommendation to any person to purchase, hold, or sell the Series V-2 Bonds and such labeling does not address the market price or suitability of these Series V-2 Bonds for a particular investor and does not and is not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the Second Party Opinion, Kestrel Verifiers has assumed and relied upon the accuracy and completeness of the information made publicly available by the University or that was otherwise made available to Kestrel Verifiers.

SECURITY FOR THE SERIES V-2 BONDS

The Series V-2 Bonds are payable from loan payments to be paid by the University to the Trustee pursuant to the Loan Agreement. The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The Loan Agreement contains certain covenants for the protection of the Holders of the Series V-2 Bonds and the Authority. See Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Loan Agreement." The Series V-2 Bonds are not secured by a reserve fund, or a lien on, or security interests in, any funds, revenues or other assets of the University, except to the extent pledged pursuant to the Indenture as described below. The affiliates of the University described in Appendix A hereto are not obligated with respect to the payment of debt service on the Series V-2 Bonds and their assets and revenues are not pledged and are not expected to be available to the University or the Series V-2 Bondholders for such purpose.

The Indenture provides that all Series V-2 Revenues and any other amounts (including proceeds of the sale of Series V-2 Bonds) held in the Series V-2 Funds and Accounts (other than the Series V-2 Rebate Account) are to be held in trust and are exclusively and irrevocably pledged for the security and payment of the principal of and interest on the Series V-2 Bonds. The Series V-2 Revenues do not include the Series V-1 Revenues. The Series V-1 Revenues are not pledged for the security and payment of the principal of and interest on the Series V-2 Bonds.

The Loan Agreement does not contain any financial covenants limiting the ability of the University to incur indebtedness or any other similar covenants. Further, the University is not required by the Loan Agreement to produce revenues at any specified level. The Loan Agreement contains certain covenants limiting the ability of the University to encumber or dispose of its Bond-financed property, but it does not contain general financial covenants limiting encumbrance or disposal of University property.

The University has other unsecured general obligations outstanding. See Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)." Moreover, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement.

For additional information concerning the provisions of the Indenture and the Loan Agreement, see Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Series V-2 Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds therefor provided. Neither the State of California nor the Authority shall be obligated to pay the principal (or Redemption Price) of the Series V-2 Bonds, or the interest thereon except from Revenues and the other assets pledged under the Indenture and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal (or Redemption Price) of or the interest on the Series V-2 Bonds. The issuance of the Series V-2 Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the Holders of the Series V-2 Bonds upon an event of default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay, and such remedies may not be readily available or may be limited. In particular, the University may become the subject of a case under the United States Bankruptcy Code. In such a bankruptcy case, the Trustee and the Holders of the Series V-2 Bonds may be prohibited from taking any action to collect any amount from the University or to enforce any obligation of the University, without the bankruptcy court's permission. These restrictions may also prevent the Trustee from making payments to the Holders of the Series V-2 Bonds from funds in the possession of the Trustee. As part of its plan of reorganization, the University may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Series V-2 Bonds, the Indenture, the Loan Agreement, and the other related transaction documents, as long as the bankruptcy court determines that the alterations are fair and equitable. Payments previously made to the Holders of the Series V-2 Bonds during the 90 days (or possibly one year) immediately preceding the commencement of the bankruptcy case may be avoided as preferential payments, so that the Holders would be required to return such payments to the University. Actions could be taken in a bankruptcy of the University that could adversely affect the exclusion of interest on the Series V-2 Bonds from gross income for federal income tax purposes. There also may be other possible effects of a bankruptcy of the University that could result in delays or reductions in payments on the Series V-2 Bonds, or other losses on the Series V-2 Bonds. Moreover, regardless of any specific adverse determinations in any University bankruptcy case, the existence of a University bankruptcy case could have an adverse effect on the liquidity and value of the Series V-2 Bonds. The various legal opinions to be delivered concurrently with the Series V-2 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

CERTAIN INVESTMENT CONSIDERATIONS

The following are certain investment considerations that have been identified by the University and should be carefully considered by prospective purchasers of the Series V-2 Bonds. The following list should not be considered to be exhaustive. Investors should read the Official Statement in its entirety. Inclusion of certain factors below is not intended to signify that there are no other investment considerations or risks attendant to the Series V-2 Bonds. See Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)" for additional information about the University, including information regarding the impact of the COVID-19 pandemic on the operations and financial condition of the University.

The University's stature in the educational community and its consolidated revenues, expenses, assets and liabilities may be affected by events, developments and conditions relating generally to, among other things, the ability of the University to (a) conduct educational and research activities of the types and quality required to maintain its stature, (b) generate sufficient revenues, while controlling expenses, to fund adequately the cost of these activities, (c) attract faculty, staff and management necessary to conduct these activities, (d) attract a student body of commensurate quality and (e) build and maintain the facilities necessary to conduct these activities.

Success in these areas depends upon the ability of the University and its management to respond to substantial challenges in a rapidly changing environment. For example:

(i) Volatility and dislocations in the global financial markets and other economic factors may reduce the value of the University's investment portfolio, impact investment returns, increase liabilities associated with investments, reduce investment income distributable from the endowment and other expendable funds for operations, affect the ability of donors to pledge resources or meet their pledge obligations, increase demand for financial aid, and increase interest costs on the University's debt. See Notes 6, 7, 9, 10 and 11 to the consolidated financial statements of the University as of and for the years ended August 31, 2020 and 2019 included in Part II of Appendix A hereto.

(ii) Liquidity constraints may impact the University's ability to fund its commitments for operating expenses, construction, capital calls and possible tenders of variable rate debt.

(iii) The Federal Government may reduce levels of sponsored research funding and reimbursement for administrative overhead and infrastructure.

(iv) Health care services revenue flowing from the hospitals to the University may be impacted by the factors affecting the hospitals' financial performance as described below.

(v) Legislation and regulation by governmental authorities may affect the tax-exempt status of, and associated tax benefits accorded to, educational institutions such as the University, impose constraints or mandates on tuition levels and endowment payout, or impose significant new compliance requirements with associated costs.

(vi) Counties or municipalities in which the University operates may constrain additional facility and infrastructure expansion, or impose significant costs.

(vii) The ability to recruit and retain faculty, graduate students, postdoctoral scholars and staff may be impaired by the high regional cost of living and the limited availability of affordable housing within reasonable commuting distance.

The preservation and growth of the University's endowment are affected not only by the factors noted above but by discretionary changes in the annual payout to operations from endowment earnings, transfers of expendable funds and other distributions, all of which are subject to changes in policies and practices made by the Board of Trustees and University management.

In addition to the challenges noted above, a variety of risks, uncertainties and other factors may affect the financial strength and stature of the University. By its nature, the University is an open environment, potentially vulnerable to disruption of operations, injury and damage notwithstanding its security and public safety programs. It is subject to governmental regulations and mandates, investigations and enforcement actions and private litigation, and may incur substantial costs of compliance, defense, sanctions, penalties and reputational harm for violation of applicable laws. The University self-insures for the first \$1 million to \$2 million of liability claims and carries limited liability insurance for losses exceeding this amount. In addition, certain types of claims may not be reimbursed by insurance policies.

The University is a large landowner and lessor and as such is subject to numerous environmental laws and regulations; it routinely stores, uses and produces hazardous substances in its operations; it houses thousands of students, faculty and others; it maintains confidential personal information and protected health information, including electronically, subject to information security and privacy laws. The University self-insures the first \$1,500,000 of property losses per occurrence resulting from fire and other hazards, including terrorism, and carries limited property insurance for losses exceeding this amount. In addition, the University carries limited insurance for damage to facilities sustained from flooding and minimal insurance for damage to facilities due to seismic events. The University is located in a region that is subject to significant seismic activity. In the event of a significant seismic event, the University could suffer substantial damage to its facilities and disruption of its operations.

Because the financial results of the University are reported on a consolidated basis with those of its hospital affiliates (the "Hospitals"), these consolidated financial results will be affected by the financial results of the Hospitals. The Hospitals' financial results, in turn, will be affected not only by the factors set forth above but specifically by demand for the medical services they provide, the amounts of third-party payments received, limitations on and inadequate governmental reimbursements for medical services and graduate medical education, increasing costs of providing indigent care, escalating costs of personnel and equipment and inpatient capacity constraints that limit the Hospitals' ability to absorb increased costs through greater volume. In addition, industry trends, adverse legislative and regulatory developments such as state or federal adoption of a single-payor reimbursement system, and government enforcement actions could also negatively impact the Hospitals' results. Among other things, due in part to the Patient Protection and Affordable Care Act (the "ACA") enacted in 2010, the United States health care system has experienced significant changes in recent years affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. These changes are ongoing, continue to be challenged in various venues and could have adverse financial impacts on the Hospitals. Legislative and regulatory actions to repeal, postpone and replace elements of the ACA or other components of the United States health care system create unpredictability for the strategic and business planning efforts of health care providers, which creates additional risks. Further, the Hospitals' operations and financial results may be adversely affected by consequences of the COVID-19 pandemic.

Lawsuits against many institutions of higher education have been filed following suspension of residential education in response to the COVID-19 pandemic in Spring 2020. Such suits seek damages including refunds of tuition, room, board, fees and other charges, and many seek class-action status. The University has not been named in any lawsuit of this type, believes that such claims against it would be without merit, and would vigorously defend itself against all such claims. No assurance can be provided that similar lawsuits will not be brought against the University. The impacts of such lawsuits cannot be determined at this time. See Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS) – PART I – GENERAL INFORMATION ABOUT STANFORD UNIVERSITY – COVID-19 Pandemic Impacts."

For a discussion of certain financial challenges facing the University, see Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS) – PART I – GENERAL INFORMATION ABOUT STANFORD UNIVERSITY – Capital Improvement Programs," "– Hospitals," "– Investments," "– Liquidity" and "– COVID-19 Pandemic Impacts," and "– PART II, STANFORD UNIVERSITY'S FY2020 ANNUAL FINANCIAL REPORT – Management's Discussion and Analysis – Looking Forward" attached hereto.

The events, developments and conditions described above are, or may be, of a magnitude such that they could have a material adverse effect on the financial results and condition of the University.

REGULATORY MATTERS AND LITIGATION

The Authority

To the knowledge of the officers of the Authority, there is no litigation of any nature now pending (with service of process having been accomplished) or threatened against the Authority, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series V-2 Bonds, or in any way contesting or affecting the validity of the Series V-2 Bonds, any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series V-2 Bonds, or the existence or powers of the Authority relating to the issuance of the Series V-2 Bonds.

The University

The University is subject to various suits, audits, investigations and other legal proceedings in the course of its operations. See "Regulatory Matters and Litigation" in Appendix A.

FORWARD-LOOKING STATEMENTS

This Official Statement, which includes all Appendices hereto, contains forward-looking statements that involve risks and uncertainties. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use of words or phrases such as "will result," "expects to," "will continue," "anticipates," "plans," "intends," "estimated," "projects" and "outlook") are not historical and may be forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors, including, but not limited to, the risks described under the heading "CERTAIN INVESTMENT CONSIDERATIONS" which may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Although the University believes that the expectations reflected in the forward-looking statements are reasonable, the University cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the University nor any other person assumes responsibility for the accuracy or completeness of these statements. Accordingly, investors should not rely on forward-looking statements in this Official Statement. The University undertakes no obligation to publicly update or revise any forward-looking statements in this Official Statement, whether as a result of new information, future events or otherwise.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series V-2 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series V-2 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

As used herein, "U.S. Holder" means a beneficial owner of a Series V-2 Bond that for federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series V-2 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series V-2 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series V-2 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series V-2 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

The Series V-2 Bonds

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series V-2 Bonds. The Authority and University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series V-2 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series V-2 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series V-2 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series V-2 Bonds may adversely affect the value of, or the tax status of interest on, the Series V-2 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of the University's General Counsel regarding the current qualification of the University as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the University concerning the University's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the University has given any opinion or assurance concerning Section 513(a) of the Code and neither

Bond Counsel nor Counsel to the University can give or has given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of the University to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series V-2 Bonds in a manner that is substantially related to the University's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series V-2 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series V-2 Bonds.

Although Bond Counsel is of the opinion that interest on the Series V-2 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series V-2 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series V-2 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series V-2 Bonds. Prospective purchasers of the Series V-2 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series V-2 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the University or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the University have covenanted, however, to comply with the requirements of the Code, although the Authority's obligation to comply with the requirements of the Code is dependent in part upon actions of the University and is contingent upon indemnification of the Authority's expenses therefor.

Bond Counsel's engagement with respect to the Series V-2 Bonds ends with the issuance of the Series V-2 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the University or the Beneficial Owners regarding the tax-exempt status of the Series V-2 Bonds in the event of an audit examination by the IRS. In addition, successful defense of an audit examination by the IRS will require participation by the Authority, and the Authority is not obligated to incur expenses to defend an audit examination unless its expenses are paid or reimbursed by the University. Under current procedures, parties other than the Authority, the University and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series V-2 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series V-2 Bonds, and may cause the Authority, the University or the Beneficial Owners to incur significant expense.

U.S. Holders

To the extent the issue price of any maturity of the Series V-2 Bonds is less than the amount to be paid at maturity of such Series V-2 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series V-2 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series V-2 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series V-2 Bonds is the first price at which a substantial amount of such maturity of the Series V-2 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series V-2 Bonds accrues daily over the term to maturity of such Series V-2 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series V-2 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series V-2 Bonds. Beneficial Owners of the Series V-2 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series V-2 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series V-2 Bonds in the original offering to the public at the first price at which a substantial amount of such Series V-2 Bonds is sold to the public.

Series V-2 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Series V-2 Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series V-2 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Series V-2 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series V-2 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Payments on the Series V-2 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of Series V-2 Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series V-2 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series V-2 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. 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) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Subject to the discussion below addressing backup withholding tax requirements, payments of principal of, and interest on, any Series V-2 Bond to a Non-U.S. Holder, generally will not be subject to any federal withholding tax.

Subject to the discussion below addressing backup withholding tax requirements, any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition of a Series V-2 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Issuer) or other disposition and certain other conditions are met.

Under current U.S. Treasury Regulations, payments of principal and interest on any Series V-2 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series V-2 Bond or a financial institution holding the Series V-2 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Series V-2 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, for the Authority by the Acting Attorney General of the State of California and for the University by its General Counsel and Ropes & Gray LLP. None of the counsel mentioned above undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

The Treasurer, with the approval of the Authority and the University, has entered into a Bond Purchase Agreement with BofA Securities, Inc., as representative of itself, Wells Fargo Bank, National Association, Morgan Stanley & Co. LLC and Siebert Williams Shank & Co., LLC as the underwriters of the Series V-2 Bonds (collectively, the "Underwriters"), pursuant to which and subject to certain conditions, the Underwriters have agreed to purchase the Series V-2 Bonds from the Authority at a price of $374,997,928 (being the principal amount of the Series V-2 Bonds, plus net original issue premium of $74,597,928). The Underwriters' compensation is $704,293.22, which will be paid by the University from its own funds on the date of issuance of the Series V-2 Bonds. The Series V-2 Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, lending, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the University and to persons and entities with relationships with the University, for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the University and its affiliates in connection with such activities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with 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.

BofA Securities, Inc., an Underwriter of the Series V-2 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series V-2 Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), an underwriter of the Series V-2 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series V-2 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series V-2 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series V-2 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Certain subsidiaries of Wells Fargo & Company (parent company of Wells Fargo Bank, National Association, serving as Underwriter for the Series V-2 Bonds through the Wells Fargo Bank, NA Municipal Finance Group) have provided, from time to time, investment banking services, commercial banking services or advisory services to the University, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for the University in the ordinary course of their respective businesses.

Morgan Stanley & Co. LLC, an Underwriter of the Series V-2 Bonds, has entered into a retail distribution arrangement with 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 Series V-2 Bonds.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of August 31, 2020 and 2019 and for each of the two years in the period ended August 31, 2020, included in Part II of Appendix A of this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RATINGS

The Series V-2 Bonds have been given an “Aaa” rating by Moody’s, an “AAA” rating by Fitch Ratings, Inc. (“Fitch”), and an “AAA” rating by S&P. An explanation of the significance of the ratings given can be obtained from Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, from Fitch at 33 Whitehall Street, New York, New York, 10004, and from S&P at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of Moody’s, Fitch and S&P, respectively, and there is no assurance that any of the ratings, if received, will continue for any given period of time or that such ratings will not be lowered or withdrawn entirely if, in the judgment of Moody’s, Fitch or S&P, circumstances so warrant. Any such change in, or withdrawal of, the ratings received could have an adverse effect on the market price of the Series V-2 Bonds.

CONTINUING DISCLOSURE

Because the Series V-2 Bonds are limited obligations of the Authority, payable solely from amounts received from the University and other sources described in the Indenture, any financial or operating data concerning the Authority is not material to an evaluation of the offering of the Series V-2 Bonds or to any decision to purchase, hold or sell the Series V-2 Bonds. Accordingly, the Authority has not provided any such information. The University has undertaken all responsibilities for any continuing disclosure to Holders of the Series V-2 Bonds as described below, and the Authority shall have no liability to the Holders of the Series V-2 Bonds or any other person with respect to the Rule.

In order to assist the Underwriters in complying with the Rule, the University has agreed to enter into a Continuing Disclosure Agreement between the University and the Trustee, for the benefit of Holders of the Series V-2 Bonds, to provide to the Trustee certain annual information and notices of certain listed events required to be provided by the Rule. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix D hereto. The Continuing Disclosure Agreement may be amended or modified without the consent of the Holders of the Series V-2 Bonds under certain circumstances set forth therein.

MISCELLANEOUS

Information relating to DTC and the book-entry system, Clearstream Banking, S.A. or Euroclear Bank SA/NV or the Euroclear System described in Appendix C – "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES" is based upon information obtained from sources believed to be reliable, but none of the Authority, the University or the Underwriters makes any representations or warranties whatsoever with respect to such information.

All of the Appendices hereto are incorporated as an integral part of this Official Statement. The Authority makes no representations or warranties whatsoever with respect to the information contained in Appendices A through E.

The Authority furnished only the information contained under the "THE AUTHORITY" and "REGULATORY MATTERS AND LITIGATION – The Authority" and, except for such information, makes no representation as to the adequacy, completeness or accuracy of this Official Statement or the information contained herein.

This Official Statement has been delivered by the Authority and approved by the University. This Official Statement is not to be construed as a contract or agreement among any of the Authority, the University and the purchasers or Holders of the Series V-2 Bonds.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

April 7, 2021

/s/ Frank Moore
Acting Executive Director

Appendix A has been reviewed and approved by the Treasurer of the University.

THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY

April 7, 2021

/s/ Karen L. Kearney
Treasurer

APPENDIX A

STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)

Part I of this Appendix A contains general information with respect to The Leland Stanford Junior University ("Stanford" or the "University"). Part II consists of portions of Stanford's FY2020 Annual Financial Report for the fiscal years ended August 31, 2020 and 2019 ("Stanford's FY2020 Annual Financial Report"), which includes management's discussion and analysis, selected financial and other data, the report of independent auditors, and Stanford's consolidated financial statements as of and for the years ended August 31, 2020 and 2019 ("Stanford's FY2020 Audited Financial Statements"). Financial information presented in Part I of this Appendix A with respect to the University relates solely to the University; financial information regarding the University and its affiliates is stated both separately and on a consolidated basis in Stanford's FY2020 Audited Financial Statements.

PART I

GENERAL INFORMATION ABOUT STANFORD UNIVERSITY

Founded in 1885, The Leland Stanford Junior University is one of a select group of universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body.

Academic and Research Programs

Stanford is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Earth, Energy & Environmental Sciences, Engineering, and Humanities and Sciences (which includes the core humanities, fine arts, languages and literature, the social sciences, mathematics, and the natural sciences) offer undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students have access to a wide variety of undergraduate majors and to classes and research opportunities in all seven Schools. Degree programs are offered by departments and through interdepartmental programs involving multiple departments in one or more Schools. The University, its Schools and its academic programs hold appropriate accreditations.

Stanford's research enterprise extends throughout the University. Multidisciplinary research is conducted in the Schools, independent laboratories, institutes and research centers which engage faculty and students from across the University. The SLAC National Accelerator Laboratory operates advanced X-ray facilities and conducts research in materials, energy, structural biology and particle physics. Extensive library and archival resources are available through the Stanford University Libraries and the Hoover Institution on War, Revolution and Peace.

Governance and Management

Board of Trustees. Stanford is a trust with corporate powers under the laws of the State of California. The Internal Revenue Service has determined the University to be a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Under the provisions of the founding grant of Senator Leland Stanford and Jane Lathrop Stanford and related organizational documents of the University (the "Founding Grant"), the Board of Trustees (the "Board") is custodian of the endowment and all the properties of the University. The Board administers the invested funds and has the ultimate authority over the annual budget and policies for operation and control of the University. The powers and duties of the Board of Trustees derive from a combination of the Founding Grant, amendments to the Founding Grant, and legislation and court decrees specific to Stanford. In addition, the Board operates under its own bylaws and a series of resolutions on major policy. The Board conducts its business through standing committees, currently consisting of the Committees on Audit, Compliance and Risk; Development; Finance; Land and Buildings; Student, Alumni and External Affairs; and Trusteeship. The Board consists of a minimum of 25 and a maximum of 38 Trustees, including the President of the University as a Trustee *ex officio* and with vote.

The following table lists the members of the Board of Trustees as of March 31, 2021.

Jeffrey S. Raikes* *(Chair)*
Felix J. Baker
Aneel Bhusri
DeAngela J. Burns-Wallace
Michael C. Camuñez
Michelle R. Clayman
RoAnn Costin
Roberta B. Denning
Katherine B. Duhamel
Henry A. Fernandez
Angela S. Filo
Sakurako D. Fisher
James D. Halper
Ronald B. Johnson
Marc E. Jones
LaTonia G. Karr
Sarah H. Ketterer
Carol C. Lam
Kenneth E. Olivier
Carrie W. Penner
Laurene Powell Jobs
Mindy B. Rogers
Victoria B. Rogers
Lily Sarafan
Srinija Srinivasan
Jeffrey E. Stone
Gene T. Sykes
Marc Tessier-Lavigne
Elizabeth H. Weatherman
Maurice C. Werdegar
Jerry Yang**
Charles D. Young

* Will remain on the board of trustees after his term as chair concludes June 30, 2021.
** Elected chair of the Stanford University Board of Trustees, for a two year term, effective July 1, 2021

Administration. The Founding Grant prescribes that the Board of Trustees appoints the President of the University. The Board of Trustees delegates the responsibility to the President to prescribe the duties of professors and teachers, to set the course of study and the mode and manner of teaching and to exercise all other necessary powers relating to the educational, research, financial and business affairs of the University, including the operation of the physical plant. The President appoints, subject to confirmation by the Board, the Provost and the other Officers of the

University. The Stanford Management Company is the operating division of the University responsible for the management of the University's investment assets.

The following table sets forth in summary form certain members of the principal administration of the University as of March 31, 2021.

University Officers

Marc Tessier-Lavigne
President

Persis Drell
Provost

Ryan Adesnik
Vice President for Government Affairs

Jon Denney
Vice President for Development

Farnaz Khadem
Vice President for Communications

Randall Livingston
Vice President for Business Affairs, Chief Financial Officer and University Liaison for Stanford Medicine

Robert Reidy
Vice President for Land, Buildings and Real Estate

Martin Shell
Vice President and Chief External Relations Officer

Robert Wallace
Chief Executive Officer, Stanford Management Company

Howard Wolf
Vice President for Alumni Affairs and President, Stanford Alumni Association

Elizabeth Zacharias
Vice President for Human Resources

Debra Zumwalt
Vice President and General Counsel

University Executive Cabinet

Marc Tessier-Lavigne
President

Persis Drell
Provost

Stacey Bent
Vice Provost for Graduate Education and Postdoctoral Affairs

Sarah Church
Vice Provost for Undergraduate Education

Stephan Graham
Dean, School of Earth, Energy & Environmental Sciences

Chi-Chang Kao
Director, SLAC National Accelerator Laboratory

Jonathan Levin
Dean, Graduate School of Business

Jennifer Martinez
Dean, School of Law

Lloyd Minor
Dean, School of Medicine

Kathryn Ann "Kam" Moler
Vice Provost and Dean of Research

Condoleezza Rice
Director, Hoover Institution on War, Revolution and Peace

Debra Satz
Dean, School of Humanities and Sciences

Daniel Schwartz
Dean, Graduate School of Education

Jennifer Widom
Dean, School of Engineering

Faculty and Staff

For the 2020 fall quarter, the Stanford professoriate had 2,279 members. Of those, 54% hold tenure, and 99% hold the highest degrees in their respective fields. The Academic Council comprises the main body of the faculty. Of its 1,711 members, 1,560 are tenure-line faculty, and 151 are non-tenure line faculty such as Senior Fellows and those holding teaching, research, clinical or performance titles. The student-Academic Council ratio (including only matriculated undergraduate and graduate students) is approximately 8.9 to 1.

As of August 31, 2020, the University, including the SLAC National Accelerator Laboratory, employed 16,169 non-academic staff members. Of these employees, 1,264 were represented by the Service Employees International Union, and 22 were police officers represented by the Stanford Deputy Sheriffs' Association. Contracts between the University and those unions expire on August 31, 2024 and July 31, 2021, respectively.

Students

For the 2020 fall quarter, the University enrolled 6,366 undergraduate and 8,791 graduate students. During academic year 2019-2020, 1,771 bachelor's degrees and 3,422 advanced degrees were conferred. The following table provides a summary for the last five academic years of undergraduate and graduate applications, admissions and enrollment.

Academic		Undergraduate[(1)(2)]			Graduate[(2)]	
Year	Applications	Admissions	Enrollment	Applications	Admissions	Enrollment
2016-17	45,956	2,160	1,778	45,564	4,530	2,701
2017-18	46,307	2,116	1,730	45,907	4,157	2,696
2018-19	49,804	2,098	1,721	46,889	4,181	2,635
2019-20	49,961	2,086	1,721	48,143	4,119	2,588
2020-21[(3)]	47,443	2,435	1,675	48,150	3,612	2,135

(1) Includes both freshman and transfer students.
(2) Fall only.
(3) Stanford University has experienced an increased number of undergraduates and graduates who deferred their admission in 2020-21 to enroll in 2021-22, in addition to an incoming class of normal size.

Tuition, Fees and Financial Aid

Stanford is committed to a policy of "need-blind" admission for eligible U.S. citizens and permanent resident undergraduate students and meets full need for admitted students without an expectation of student loans. In addition to institutional scholarship funds, eligible Stanford undergraduates may also receive other financial assistance in the form of government and private scholarships and grants, student employment and low-interest student loans. The following table provides a summary of Stanford's undergraduate tuition, average room and board expenses and average financial aid per undergraduate student for the academic years 2015-16 through 2020-21.

Academic Year	Tuition	Room and Board	Total	Average Financial Aid[(1)]	Average Financial Aid + Athletic Aid
2015-16	$45,729	$14,107	$59,836	$19,676	$23,016
2016-17	47,331	14,601	61,932	21,699	24,987
2017-18	48,987	15,112	64,099	22,142	25,556
2018-19	50,703	15,763	66,466	23,795	27,509
2019-20	52,857	16,433	69,290	24,749	28,431
2020-21	55,473	17,255	72,728	n/a	n/a

(1) Stanford-funded scholarship aid awarded based on financial need divided by the average number of undergraduate students enrolled in the fall, winter and spring quarters.

Institutional graduate student support is awarded based on academic merit and the availability of funds and consists of fellowships, stipends, and trainee/assistantships. Stanford also provides a gift funded institutional loan program for some students in certain academic programs. Student loans receivable, net of allowances for doubtful accounts, were $46.1 million and $52.0 million as of August 31, 2020 and 2019, respectively.

The Stanford Campus and Other Real Property

Stanford's main campus consists of 8,180 acres of land owned by the University near Palo Alto, California, much of which was given to the University under the Founding Grant on the condition that the lands subject to the grant may not be sold. The campus includes land located in six different municipalities. In addition to the lands utilized for educational, research, athletics, patient care and related purposes, a portion of Stanford lands are leaseholds related to commercial, residential, agriculture and other developments that provide rental income as part of the University's investment portfolio. Much of the University's other land remains undeveloped.

Stanford also owns real property elsewhere. Some of this property has been acquired for expansion or relocation of academic programs and administrative functions, including approximately 28 acres in Redwood City, California. The University also owns facilities for use in study programs in Pacific Grove, California; the District of Columbia; and Berlin, Germany.

Capital Improvement Programs

Stanford University makes a significant investment in its facilities for teaching, research and related activities. Stanford University's Capital Budget and three-year Capital Plan are based on projections of the major capital projects that the University plans to pursue in support of its academic mission. The fiscal year 2021 Capital Budget approved by the Board of Trustees is approximately $413.7 million and represents the anticipated capital expenditures in the first year of the rolling three-year Capital Plan. The fiscal year 2021-2023 Capital Plan includes projects with estimated total costs of over $1.7 billion. Estimated funding sources for projects under the current Capital Plan consist of $700.6 million in debt, $490.7 million in University reserves, $186.2 million in gifts, and $335.6 million in other funds and resources to be identified in the course of annual capital planning. Additional debt will be required to bridge timing differences between project expenditures and the receipt of gifts. The Capital Budget and the Capital Plan are subject to change based on funding availability, budget affordability and University priorities.

The use and development of Stanford University land within the County of Santa Clara ("Santa Clara County") are governed by a General Use Permit and the related Stanford University Community Plan (together, the "2000 GUP"), which have been in force since they were approved in 2000 by the Santa Clara County Board of Supervisors. The 2000 GUP permits Stanford to develop 2,035,000 square feet of net new academic facilities and 4,468 new housing units for students, faculty and staff. Although the 2000 GUP limits the amount of new development, it does not restrict removal, renovation or rehabilitation of existing facilities. Through August 31, 2020, projects using approximately 1,851,000 of net new gross square feet were completed or under construction and approximately 4,423 housing beds/units have been added, including the recently completed 2,400-bed Escondido Village Graduate Residences. Stanford University filed an application with Santa Clara County in 2016 for a new GUP that was projected to last 17-20 years, but withdrew the application on November 1, 2019, determining instead to address academic space and housing needs by, for example, making use of the remaining allotments under the 2000 GUP, renovating and rehabilitating existing facilities in the main campus land in Santa Clara County, and developing facilities on University land in other jurisdictions, including the University's new campus in Redwood City.

Hospitals

The University is the sole member of Stanford Health Care ("SHC") and Lucile Salter Packard Children's Hospital at Stanford ("LPCH") (collectively, the "Hospitals"). SHC and LPCH are each separate not-for-profit public benefit corporations operating the adult and pediatric hospitals and clinics, respectively, which together with the University's School of Medicine and its clinical faculty, comprise and are known in the marketplace as Stanford Medicine. Each Hospital corporation has its own management with responsibility for its own financial reporting (see Stanford University's FY2020 Annual Financial Report included as Part II of this Appendix A under the caption "Management Responsibility for Financial Statements"). Management of each Hospital reports to the chief executive officer of that Hospital, and the chief executive officer reports to the board of directors appointed for that Hospital. Management of the Hospitals does not report to management of the University. Each Hospital has its own separate liabilities, including bond debt obligations. The University and the Hospitals are not obligated to pay the debt of each other, and the University and the Hospitals receive separate credit ratings from the rating agencies.

Regulatory Matters and Litigation

The University is subject to various suits, audits, investigations and other legal proceedings in the course of its operations. The University's ultimate liability, if any, for these legal proceedings is not determinable at present. However, no proceedings are pending or threatened that, in management's opinion, would be likely to have a material adverse effect on the University's financial position, including the following matter, which has received broad public attention.

The University is among over 100 colleges and universities under investigation or monitoring by the Office for Civil Rights, Department of Education ("OCR"), relating to Title IX concerns. As is its practice when a university is under review, OCR looks not only at the matters that are the subject of the complaints, but also at all reports of sexual harassment and sexual violence for the past three academic years. On April 6, 2018, Stanford entered into a Resolution

Agreement and on April 10, 2018, OCR issued its letter of findings from the investigation. OCR made no finding that laws were violated in the handling of any individual student matters.

OCR's investigation raised concerns about some omissions and errors in the University's policies and determined that some provisions in the University's policies did not comply with Title IX. Stanford committed in the Resolution Agreement to make certain policy changes, give training on those changes, and meet with two of the student complainants to discuss Title IX issues and these changes. Stanford is now implementing the commitments it made. This process may take several years, and OCR will continue to monitor Stanford's compliance with the Resolution Agreement until all commitments have been completed and approved by OCR. In January 2021, OCR confirmed that Stanford has fully completed the obligations under the Resolution Agreement related to meeting with two of the student complainants, and OCR's monitoring with respect to those specific obligations is now closed.

One responding student disciplined by the University after a sexual assault claim and who filed a claim with OCR (since dismissed by OCR) later filed two related actions against the University. The first is a writ petition filed in state court alleging that he did not receive due process during the University's disciplinary proceedings and seeking to compel the University to reverse the disciplinary findings against him. Stanford prevailed at trial on the writ petition, and the responding student has filed an appeal. All appeal briefs have been submitted, but the court has not yet set a date for oral argument. The second is a complaint filed in federal court alleging gender discrimination by the University and seeking money damages, which is stayed pending the outcome of the writ petition proceedings (including the appeal).

The University believes it is reasonably possible that other students may bring claims against the University under Title IX. The University intends to vigorously defend against all such claims, including the pending claims, and believes that the ultimate cost of all such claims will not be material to the University on a consolidated financial basis.

Investments

At August 31, 2020, the University held investments with a fair value of approximately $37.6 billion. The following table summarizes the fair value of the University's investments for each of the past five fiscal years. These investment values are being presented in this manner reflecting current requirements of Generally Accepted Accounting Principles.

STANFORD UNIVERSITY
INVESTMENTS
Years Ended August 31
(in thousands of dollars)

Fair Value Hierarchy	2020	2019	2018	2017	2016
Level 1 - Investments that trade in active markets. Valuations based on quoted prices	$ 2,273,301	$ 3,520,698	$ 3,658,388	$ 3,329,418	$ 3,906,609
Level 2 - Investments that trade in markets that are not actively traded. Valuations based on quotes or alternative pricing sources	3,845,676	2,257,730	3,203,176	3,913,615	1,793,566
Level 3 - Investments that trade infrequently or not at all. Valuation based on the best information available and management judgment.	7,777,165	7,768,337	6,801,900	6,336,163	5,779,580
Investments measured using Net Asset Value (NAV) [1]	26,100,241	23,977,352	22,978,977	21,686,554	19,524,444
Total	39,996,383	37,524,117	36,642,441	35,265,750	31,004,199
Less Hospitals' funds invested in the University's investment pools	(2,421,800)	(2,232,489)	(2,125,005)	(1,968,257)	(1,918,412)
University investments at fair value	$ 37,574,583	$35,291,628	$34,517,436	$33,297,493	$29,085,787

[1] Entities may estimate the fair value of certain investments by using NAV as a practical expedient as of the measurement date. The NAV is based on information reported by external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda.

Liquidity

Stanford closely monitors its liquidity requirements and structures its financial assets to meet its projected short- and long-term needs and contractual commitments. To meet these needs, Stanford holds investments in various pools or in specific assets with varying degrees of liquidity, as well as having an authorized short-term commercial paper program. Stanford also has access to additional short-term financing facilities such as revolving lines of credit that can be available for liquidity needs. The University has significant contractual commitments outstanding to limited partnership and other investment vehicles and major construction projects (see discussion under the caption "Capital Improvement Programs" above and in Note 6, "Investments," and Note 20, "Commitments and Contingencies," to Stanford's FY2020 Audited Financial Statements included in Part II of this Appendix A).

COVID-19 Pandemic Impacts

The COVID-19 pandemic has had numerous significant impacts on the University and its community. Since March 2020, much of the University's undergraduate and graduate course instruction has been conducted through virtual means, and much of the University's research and operations have been conducted through remote work. The University has been operating with limited numbers of graduate and undergraduate students living on campus, with reductions and modifications to typical campus activities. There is not currently a timeline for permitting all students to return to residence on campus. However, with improvement in public health conditions, Junior and Senior class members have been invited back for the Spring Academic Quarter. The University continues to monitor evolving public health requirements and guidance.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. The continued spread of COVID-19 and its related impacts may have a material adverse effect on the future financial and operating performance of the University. The University's financial performance will depend on future developments, including, for example, (i) the duration of the pandemic, (ii) restrictions and advisories imposed by federal, state and local governments, (iii) litigation arising from circumstances related to, and actions taken in response to, the pandemic, (iv) the effects of the pandemic on the financial markets, and (v) the effects of the pandemic on the economy overall, all of which are uncertain and cannot be predicted.

For information regarding lawsuits against other institutions of higher education arising from circumstances related to the COVID-19 pandemic, see "CERTAIN INVESTMENT CONSIDERATIONS" in the forepart of this Offering Memorandum.

Additional information on the impacts of COVID-19 on the University are included within Part II of this Appendix A.

Data Breach Incident

The University's School of Medicine was impacted by a data breach incident involving a third-party file-sharing service. The breach was part of a national cyberattack affecting universities, companies, and organizations that use the file-sharing service. The University is investigating the extent of personal data that may have been accessed, and it will notify affected individuals and others as appropriate. The University's investigation of the incident is ongoing, and its impacts cannot be determined at this time.

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PART II

STANFORD UNIVERSITY'S FY2020 ANNUAL FINANCIAL REPORT

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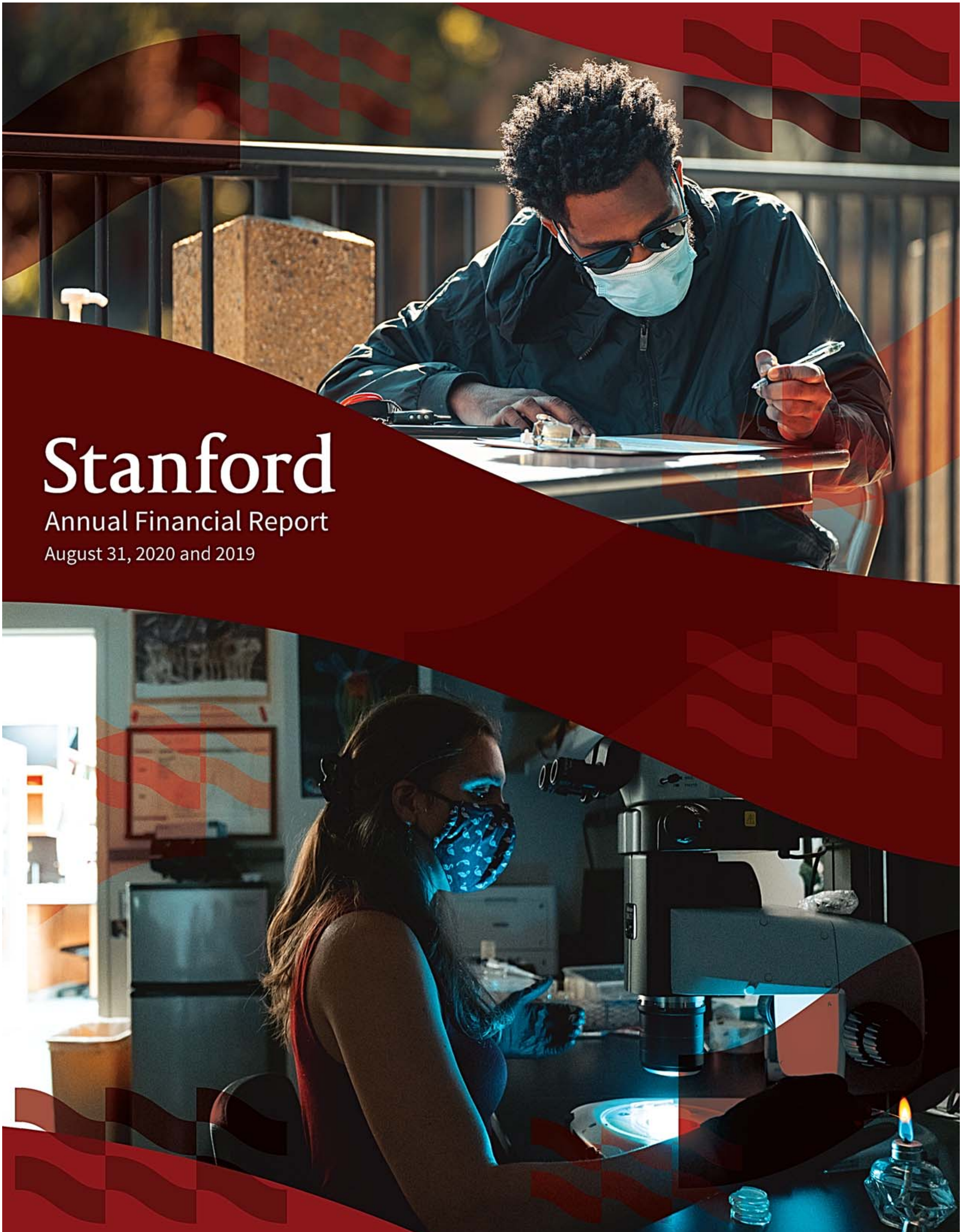

Stanford

Annual Financial Report

August 31, 2020 and 2019

COVER: Photos by Andrew Brodhead, 2020

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Purposeful Impact in Unprecedented Times

President Marc Tessier-Lavigne

"While the crisis has forced the university to adjust course, it has also sharpened our focus and illuminated what this community can achieve."

The 2020 fiscal year has been a year of challenge, adaptation and perseverance. Amid the COVID-19 pandemic, the wildfires that have ravaged California and the national reckoning with racial injustice, Stanford's community has rallied, with resolve and determination, to advance the university's mission.

When COVID-19 reached California in the early spring, it quickly became clear that the disruption would be historic. The university rapidly responded to the crisis on a number of fronts: sending undergraduate students home and moving teaching online, closing our campus to all but essential workers and a small number of students, providing round-the-clock clinical care to patients from our surrounding communities, and implementing cost-saving measures to support our continued fiscal stability.

Throughout the pandemic, we have prioritized supporting our community, maintaining our missions of teaching, research and health care, and contributing to the pandemic response through clinical care and discovery.

To support our community, the university increased financial support for our students, created a new grant program for Stanford employees facing financial hardships, ensured pay continuation for regular employees, and provided financial and other support to our vendors.

In education, the university invested in learning technology to support faculty in their efforts to develop creative formats for online coursework and maintain a fulfilling and enriching experience for remote learners in all disciplines.

Our research enterprise has pivoted, launching hundreds of projects to improve our understanding of COVID-19 and its effects on society. Stanford Medicine developed one of the first FDA-approved diagnostic tests to identify the virus. Our researchers are collaborating with the University of California, San Francisco and the Chan Zuckerberg Initiative to better understand the spread of COVID-19 and support policymakers in determining when people can return safely to work, school, and other critical activities. Beyond Stanford Medicine, researchers have been working to mitigate other societal effects of the virus, including efforts to improve remote K-12 education and reduce the spread of the virus across incarcerated populations, among others.

Our hospitals were agile in their response, rapidly increasing COVID-19 testing and capacity to treat patients across the Bay Area and the state, using telehealth tools to reduce in-person visits, and delaying renovations to older buildings in order to address a potential surge in patients.

The generous support and energy of our donors, alumni and community have also enabled us to advance Stanford's Long-Range Vision, including critical university-wide initiatives focused on social justice, diversity and inclusion, and climate and sustainability.

As we close the fiscal year, it is clear that the effects of the virus on Stanford's finances will not be a temporary budget blip, but an ongoing challenge. COVID-19 has forced us to make tough choices as we steer Stanford through an economic downturn, contend with reduced operating revenues, and manage additional expenses related to new measures to keep our community safe.

While the crisis has forced the university to adjust course, it has also sharpened our focus and illuminated what this community can achieve and how essential our core activities of teaching, research, and health care are to the world. As we look ahead, we will continue to take thoughtful steps to position Stanford for a strong recovery as we support the health and safety of our community.

I would like to express my appreciation to our community of students, faculty, staff, alumni and donors for their generosity and support for Stanford during these unprecedented times. I am proud of our many accomplishments and am confident in our collective abilities to make important and effective contributions, both in this moment of great need, and in the years that lie ahead.

Financial Overview

Faced with an unprecedented combination of challenges during Fiscal Year 2020, the Stanford community responded with perseverance to advance our core missions of teaching, research and health care.

This dedicated community of students; faculty, researchers and staff; alumni; doctors and nurses; and business partners led with innovation and resolve through challenges that include the worldwide COVID-19 pandemic, social unrest and political discord across our country and more than 9,000 wildfires in California.

Resilience and decisiveness have been at the forefront of our response, and thoughtful financial decision-making positioned the university and hospitals for a strong near-term response and a recovery that supports Stanford's long-term vision.

Following is a summary of Stanford's financial results, which include the university, and Stanford Health Care (SHC), Lucile Salter Packard Children's Hospital at Stanford (LPCH) and their respective affiliates, collectively "the hospitals."

Health Care

In early FY20, SHC marked a major milestone by opening its doors to the new Stanford Hospital, a little less than two years after LPCH opened its doors to the new Lucile Packard Children's Hospital. A reimagined space for health and healing, this extraordinary new facility doubled our capacity for patient care and modernized our ability to treat and cure.

For the first two quarters of FY20 the hospitals both experienced strong performance. With the onset of the COVID-19 pandemic in the third quarter, both SHC and LPCH suspended non-critical patient visits and procedures, resulting in substantial loss of revenues.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed, and the hospitals subsequently received Provider Relief Funds distributed to healthcare providers to help offset some of the pandemic financial impacts.

The hospitals together provided $1.7 billion in charity care and undercompensated care to Medi-Cal and Medicare beneficiaries, representing a $200 million increase over FY19. These services are in addition to supporting other programs and services such as health research, education, training, and other benefits for the communities we serve.

Philanthropy

Alumni and friends continued to provide critical support through these most trying of times. Through their generous gifts and contributions, donors enable Stanford to continue to deliver on Jane and Leland Stanford's vision of creating "a purposeful university that fosters education, research and creativity for the benefit of humanity." These donations fund scholarships and professorships, help construct buildings and turn visions into reality. Over 51,000 donors, including corporations and foundations, demonstrated their commitment to Stanford by providing philanthropic support that was 28% higher than the previous year.

Housing Affordability

In the Bay Area, where local real estate housing prices are high, it is essential to support faculty, staff and students in addressing the affordability challenges. The university's capital plan is heavily influenced by the need to provide opportunities for more students to live where they study and work, as represented by the opening of the Escondido Village Graduate Residences, the university's largest-ever housing development. Stanford's purchase of Cardinal Apartments in Redwood City and construction on Middle Plaza in Menlo Park reflect the university's efforts to address the housing needs of faculty and staff.

COVID-19 Impact

Since the onset of the pandemic in March, Stanford's major financial decisions have reflected a focus on two key themes: **Supporting Our Community** and **Stewarding Our Resources in Uncertain Times**.

Supporting Our Community

Pay Continuation

Stanford actively deployed emergency reserves and other mechanisms for pay continuation to staff, faculty and select contractors and vendors enabling the university, SHC and LPCH to provide critical support to members of our community during these challenging times. This is discussed in more detail in the Operating Expenses section to follow.

Enabling Virtual Learning

As the public health situation and state and local guidance evolved, the university took swift and proactive measures to protect our community. This required quickly deploying tools and resources required to deliver the academic mission virtually. Faculty and staff shifted academic offerings online, leveraging and expanding upon online resources and remote collaboration tools, and developed new models enabling effective remote education.

Student Support

Many Stanford students and their families were impacted by the economic fallout of the pandemic. The university prioritized supporting students by increasing financial aid, assisting travel home and, when necessary, securing IT equipment and services. Also in FY20, the university significantly increased the minimum salary for graduate student assistantships and removed the home equity component of the undergraduate financial aid calculation, enabling more students to qualify for aid.

Preparing for the Surge

Our hospitals pivoted quickly in response to the COVID-19 pandemic, which caused major disruptions in our nation's healthcare systems. SHC paused facilities renovations in order to expand space available for treating an increase in patients. Elective procedures at both hospitals were cancelled and acute care facilities were established to prepare for the expected volume of COVID-19 patients and reduce the risk of exposure to COVID-19.

Stewarding Our Resources

The impact of COVID-19 rippled through our FY20 financial results, reducing various revenue sources that, in some cases, were superseded by others.

The negative financial impacts would have been considerably larger without the implementation of a series of actions to control and reduce costs. In early April the university imposed a salary freeze, a hiring pause, a pay reduction for senior leadership, reduction of discretionary spending by departments, and a hold on approvals of all new capital projects. Our hospitals took similar labor and non-labor cost-saving measures and initiatives, including temporary workforce adjustments, reducing non-labor spend, minimizing overtime and contractor spend, continuing to flex hours of staff as operationally appropriate and significantly reducing capital spending to contain costs and retain resources. In anticipation of continuing budget challenges in FY21, the university reduced endowment payout on non-student aid funds by 10% and centrally-allocated general funds by about 7%.

Summary

Stanford ended the fiscal year with consolidated net assets of $47.2 billion, an increase of $2.0 billion over FY19, primarily driven by the generosity of our donors and better than expected investment returns, which helped to mitigate overall financial losses.

This year has been an extraordinary exercise in teamwork and collaboration, thoughtful planning, and persistence across Stanford. We would like to express our gratitude to the front-line finance staff and budget officers, and to all those who serve as financial stewards for the institution, for their fortitude and tireless efforts in supporting Stanford. We are pleased to provide the following report which outlines the financial results for fiscal year 2020 and a look toward the future.

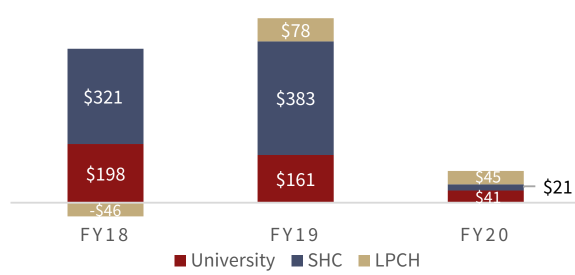
Operating Results

Despite the unprecedented impact of COVID-19, the university, SHC and LPCH each generated modest positive operating results. For the university, the positive operating surplus resulted from increased philanthropic support, steady performance of sponsored support and investment income distributed for operations, and widespread cost saving measures. However, COVID-19 significantly impacted special program fees and other income as well as student income.

Our top priority of caring for our people and our community resulted in early decisions to send our students home, increase financial aid, move all teaching, research and administrative functions to a remote basis, and suspend all but essential personnel from being on campus. For our hospitals, it drove the cancellation of elective procedures and necessary preparation for an anticipated surge in COVID-19 patients. These actions led to reductions in some revenue streams offset by increases in others. Similarly, increasing costs in support of our response efforts were partially offset by cost-saving initiatives.

On a consolidated basis, operating revenues exceeded expenses by $107 million, compared to $623 million in FY19. The university alone experienced a year-over-year decline in operating margin of 74%, from $161 million in FY19 to $41 million in FY20. Student income, special program fees and other declines in income resulting from the COVID-19 pandemic were only partially offset by the increase in investment income distributed for operations and current year gifts in support of operations. In addition, increases in salaries and benefits expenses and depreciation, while partially offset by declines in other operating expenses, further reduced operating margin.

Operating Margin ($ in millions)



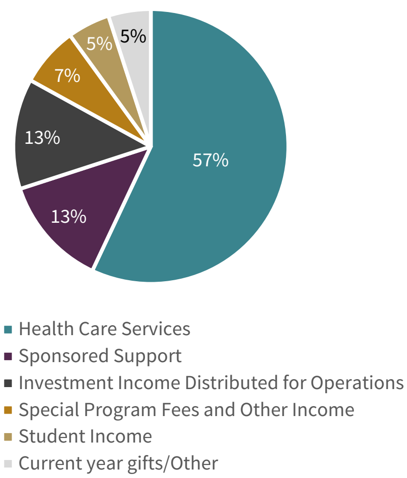
SHC's operating margin also saw a steep decline of $362 million or 95% to end the year at $21 million. The decline was primarily due to cancellation of elective procedures after the onset of COVID-19, $1.4 billion spent in charity care and Medi-Cal and Medicare undercompensated care, offset by $125 million in CARES Act Provider Relief Funds.

LPCH's operating margin declined $33 million or 42% to end the year at $45 million. The decline was primarily due to the cancellation of elective procedures after the onset of COVID-19, while maintaining staffing to support the anticipated surge of COVID-19 patients, and decreased provider fee net revenue. These reductions were offset by higher revenues for children with especially high acuity care, and $79 million in CARES Act Provider Relief Funds. In FY20 LPCH provided $261 million in charity care and Medi-Cal undercompensated care.

Operating Revenues

Total consolidated operating revenues increased $193 million or 2% to $12.5 billion. Health care was the largest source of revenue, while investment income distributed for operations and sponsored support were the second and third largest and, in FY20, the most stable sources of revenues for Stanford. Special program fees and other income increased 8% on a consolidated basis as $200 million of CARES Act Provider Relief Funds received by the hospitals more than offset a $134 million decline for the university. Student income declined 7%, driven by COVID-related drops in room and board revenues and summer quarter tuition.

Consolidated Operating Revenues: $12.5 billion



Special program fees and other income was significantly impacted by the COVID-19 pandemic. While the university experienced significant declines driven by the cancellation of various programs including executive education, travel and study programs, conferences and athletic summer camps, as well as a reduction in residential and dining services, the hospitals experienced an increase due to CARES Act Provider Relief Funds received in FY20.

Student income decreased 7% or $43 million to $610 million primarily due to lower room and board revenues as a result of the majority of students not being housed on campus for the latter part of FY20 and increases in student financial aid as further described under "Teaching and Education" below.

Health care services constituted 57% of consolidated total revenues in FY20 and FY19, accounting for 94% and 91% of total revenues for SHC and LPCH, respectively. Overall, health care revenues grew by a little over 1% to end the year at $7.1 billion. Investment income distributed for operations grew 5% to $1.7 billion. Sponsored Support is the next largest operating revenue stream and comprises 13% of consolidated revenues. Excluding sponsored support from the Department of Energy for SLAC National Accelerator Laboratory (SLAC), sponsored support remained relatively flat in FY20 as increases in federal research support were offset by decreases in non-federal research support.

Operating Expenses

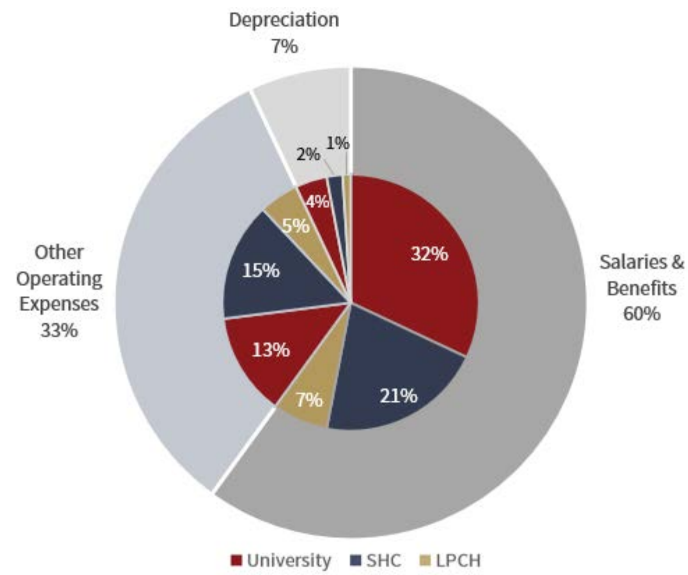
Total consolidated operating expenses increased $709 million or 6% to $12.3 billion. The majority of these expenses are salaries and benefits expense for faculty and staff, which comprise more than 60% of both consolidated operating expenses and university operating expenses. Overall salaries and benefits alone increased $553 million as a result of a combination of continued growth in headcount and annual merit compensation increases at the beginning of FY20. The university's commitment to pay continuation through the pandemic, as well as the hospital's expanded headcount to support patient volumes for future expansion, and anticipation of caring for potential COVID-19 patients also drove the increase.

Additionally, other operating expenses increased $43 million or 1%. The university saw increased operating costs from the implementation of safety measures such as the purchase of personal protective equipment, cleaning and sanitizing services and supplies and COVID-19 testing for staff, faculty and students, as well as development of technology for contact tracing and diagnostic testing. These expense increases were more than offset by expense reductions resulting in an overall net decrease of $135 million. Over half of this decrease was attributable to the decrease in SLAC project costs and the remaining spread across School of Medicine, Residential & Dining Enterprises, School of Engineering, Graduate School of Business, Alumni Association, and Athletics. These costs savings were primarily due to reduced travel and campus activity, as well as expense reductions related to programs and services.

SHC's other operating expenses increased 9% to $2.7 billion in response to COVID-19, patient volume growth prior to COVID-19, new Stanford Hospital activation costs, and inflation.

LPCH's other operating expenses increased 2% to $1.0 billion in response to COVID-19, patient volume growth prior to COVID-19.

Consolidated Operating Expenses: $12.3 billion



Health Care

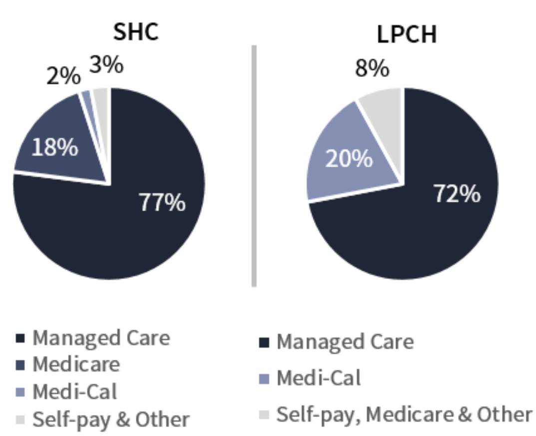
Stanford Medicine, composed of the university's School of Medicine (SOM), Stanford Health Care (SHC) and Lucile Salter Packard Children's Hospital (LPCH), is an academic medical center that integrates a research university with a network of care facilities. The SOM faculty serve as physicians for the hospitals.

The university's FY20 health care services revenue increased $68 million or 6% to $1.3 billion as a result of growth in the hospitals' clinical programs. Over 90% of the university's health care revenue is received from SHC and LPCH based on clinician activities.

In FY20, SHC's net patient service revenue including capitation/premium revenue increased $39 million, or 0.7%, from FY19 to $5.3 billion. Inpatient and outpatient procedures, which represented 38% and 62% of net patient revenues, respectively, grew in multiple areas, such as cancer and neurosciences services, pharmacy, imaging, lab, and other ambulatory care services.

LPCH net patient service revenue grew 3% in FY20 to $1.9 billion. LPCH had a strong start in FY20, exceeding volumes and net patient service revenue on a year-over-year basis, driven by busy surgical programs, such as cardiovascular surgery, and busy ICUs. Given the restrictions on elective surgical procedures and outpatient diagnostic and surgical procedures from public health officials in mid-March, LPCH experienced significant declines in both inpatient and outpatient procedures. The public health orders in March also impacted clinical visits, which had to transition from in-person to telehealth, resulting in initial cancellations to deploy the technology for telehealth visits, and rescheduling visits once in place. In May, LPCH started to see volumes slowly recover and, while the last quarter had stronger volumes, they were still lower than the pre-pandemic expectations.

Net Patient Service Revenue



Research

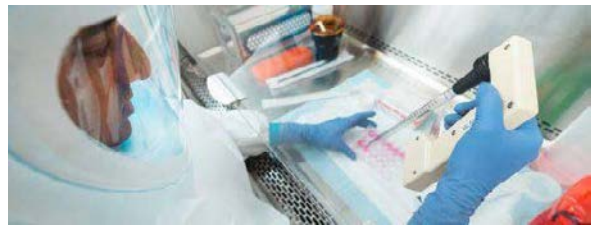
In FY20, total sponsored support from federal and non-federal sponsored sources decreased $61 million compared to FY19.

The majority of the university's sponsored support is received from the federal government. The Department of Health and Human Services (DHHS) and the U.S. Department of Energy (DOE) are the two largest federal sponsors.

The DOE provides most of the sponsored support for the SLAC National Accelerator Laboratory (SLAC). In FY20, SLAC's total sponsored support decreased 11%, or $60 million to $485 million, comprised of $369 million for operations and $116 million for construction of new facilities and instruments. SLAC's operations grew 10%, driven by a combination of growth and labor costs being redeployed into operations, offset by a decrease in construction of 45% as major projects near completion. SLAC's most significant construction project is the Linac Coherent Light Source (LCLS) II project, a high-powered X-ray free-electron laser, which is estimated to cost approximately $1 billion and targeted for completion in 2022.

Excluding SLAC, the university's sponsored support was relatively flat, with an increase in federal funding of $26 million, mainly from the DHHS, accompanied by an offsetting decrease in non-federal sponsored support of $27 million. DHHS provided support of $573 million in FY20 compared to $551 million in the prior year, primarily through the National Institutes of Health (NIH). Most of these funds support research within the university's School of Medicine.

While research experienced a slow-down in certain areas due to the pandemic, the overall financial impacts were not significant. Stanford researchers were able to pivot quickly to work in a remote environment and, in some cases, shift their focus to COVID-19 related projects focused on the treatment and spread of the virus. As a result, the university was awarded over $30 million in funding aimed at understanding and preventing the spread of the virus and investigating how immune systems respond.



Stanford is conducting hundreds of COVID-19 related research projects. Collectively referred to as RISE – Respond, Innovate, Scale, Empower – these projects reflect how researchers from all corners of the university are focusing on ways to prevent, diagnose and treat COVID-19, and to better understand how it spreads.

Some pandemic research solutions developed at Stanford had immediate uses, such as 3D printing of ventilators and a COVID-19 test that expanded regional testing capability. Other research such as vaping linked to COVID-19 risk in teens and young adults, long-term mental and emotional impacts of the pandemic, psychological stress associated with remote work and resources for parents, teachers and students went beyond tackling the disease itself to focusing on the pandemic's overall effect on our society.

Philanthropy | Gifts & Pledges

Stanford's pursuit of its missions benefits from a community of engaged donors. Gifts from donors are an important source of funding for current operations as well as for capital projects and new endowment. The majority of gifts and pledges are restricted by donors for specific programs and purposes, such as student aid, academic programs which support teaching and research, and new facilities for research, clinical care and housing. Stanford reported total gifts and pledges in FY20 of over $1 billion, with $290 million reflected as current year gifts in support of operations and an additional $749 million recorded in the non-operating section of the *Statements of Activities.* Total gifts and pledge payments reported by the Office of Development were $1.4 billion. This amount reflects contributions received in cash or property and includes $35 million for SHC and $60 million for LPCH, as well as a total of $70 million in gifts of art to the Anderson Collection. Gifts and pledges reported in the *Statements of Activities* are recorded on an accrual basis.

The Stanford Institute for Human-Centered Artificial Intelligence and HAI Research Grant Program, which serve as critical components of the Long-Range Vision, collectively received $100 million in gifts. The university also received a $40 million donation for the new Graduate School of Education building.

In the truest representation of community spirit in these most challenging of times, Stanford received various new gifts and pledges as well as the repurposing of existing gifts totaling $79 million toward COVID-19 related projects.

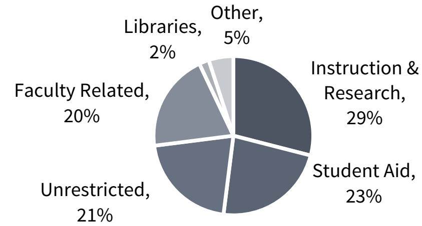
Investment Income Distributed for Operations

Total investment income distributed for operations was $1.6 billion in FY20, $1.4 billion of which came from the university's endowment.

The Board of Trustees is responsible for determining endowment payout with the aim of balancing current and future needs of the university. Through a combination of investment strategy and payout policy, the university strives to provide a reasonably consistent monthly payout to support operations, while preserving purchasing power, and ensuring that the endowment can support the university in perpetuity.

Spending from the endowment to support university operations in fiscal year 2019-20 was equal to 4.9% of the endowment's value at the beginning of the fiscal year. The endowment increased 4.5% to $28.9 billion at FY end.

University Endowment Payout by Purpose



As shown in the figure above, almost 80% of the endowment payout is restricted by purpose. Endowment payout is primarily used for instruction and research activities, student aid, and faculty salaries and support. Unrestricted endowment payout is also used to support these activities in addition to other critical strategic priorities.

Teaching and Education

The global pandemic affected almost every aspect of how the university promotes and delivers its teaching mission.

Safety measures reduced residential occupancy and enrollment, resulting in a decline of $41 million in revenue for room and board. Additionally, some students elected to defer their enrollment in the spring and summer quarters.

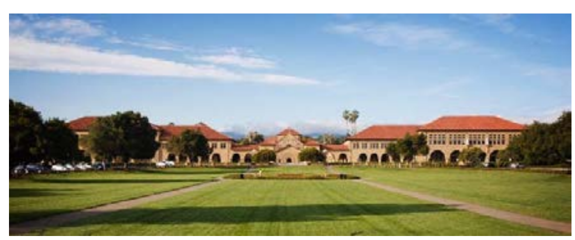
One of the university's highest priorities is to remain affordable and accessible to all admitted students, regardless of their financial circumstances. In FY20, 50% of undergraduates were awarded need-based financial aid from Stanford while 83% of graduate students received some form of financial support. Stanford expanded its undergraduate financial aid program in FY21 by increasing the family income threshold from $125,000 to $150,000 below which students will not be required to pay tuition.

In addition to providing over $330 million in financial aid to undergraduates and graduates, the university also provided $362 million of other graduate student support primarily in the form of stipends, teaching and research assistantships and related allowances for tuition.

Sources of the total $692 million of student financial aid and graduate support included approximately $313 million in payout from endowment funds and expendable gifts restricted for student aid, $243 million from unrestricted university funds and $136 million from grants and contracts.

Statements of Financial Position

Total consolidated assets increased $5.2 billion in FY20 to end the year at $63.0 billion, while consolidated liabilities increased $3.2 billion to $15.8 billion. The increase in consolidated assets was mainly due to better than expected investment performance, and continued investment in plant facilities. In FY20, the university and Stanford Health Care separately issued bonds totaling $1.2 billion.



University Investments

At August 31, 2020, university investments totaled $37.6 billion, an increase of $2.3 billion, driven primarily by the generosity of donors and sound investment performance.

The majority of the university's investments, $28.9 billion, are a part of a diversified portfolio of actively managed public and private equity, absolute return, natural resources and real estate assets. The portfolio is designed to optimize long-term returns, create consistent monthly payouts to support the university's operations and preserve purchasing power for future generations of Stanford students and scholars.

In addition, $6.8 billion of the university's investments include real estate located on a portion of Stanford's 8,180 acres which is designated by the Board of Trustees for the production of income.

These lands have been developed for various uses, including research, medical and commercial offices, hotels, retail properties and a regional shopping center, and are further diversified in a variety of financial structures. In recent years, the value of these properties has benefited from regional market dynamics including rising investor demand for real estate, high occupancy rates, increased office rents, and strong retail sales.

In FY20, portfolio income was impacted by COVID-19 with the retail and hospitality sectors experiencing larger declines; tempered by a moderate financial impact on the research, medical and commercial office properties. Real estate valuations remained relatively stable, benefitting from the decline in interest rates.

Capital Projects

Stanford continues to make significant investments in its physical facilities, driven by its missions and priorities. Over the past decade, the university replaced aging facilities with new and renovated buildings to support cutting-edge science, engineering and medicine, and has expanded the arts district to enable students, faculty, staff and the larger community to experience arts on the campus in new ways. Both SHC and LPCH also continue to make investments in facilities and systems required to remain at the forefront of medicine, be the provider of choice for complex care and provide the highest quality of adult and children's clinical care to the communities they serve.

After five years of planning and construction, Stanford marked the 2020-2021 academic year with the opening of Escondido Village Graduate Residences (EVGR), providing a new home for 2,400 graduate students, and raising the percentage of graduate students housed on campus to approximately 75% from just over 50%. While no one could have predicted that EVGR would open during a global pandemic, it has provided the university greater flexibility for student housing while maintaining social distancing. One of the four buildings in the EVGR complex is home to approximately 700 undergraduate students during the 2020-21 academic year and will be transitioned to graduate student housing once public health conditions improve.

Escondido Village Graduate Residences (EVGR)

The Cardinal Apartments in Redwood City were acquired in November 2019 to address affordable housing for staff and faculty. The recently completed Stanford ChEM-H and Wu Tsai Neurosciences Institute offers an interdisciplinary hub where researchers accelerate the pace of discovery in the life sciences.

Stanford Cardinal Apartments

The majority of SHC's FY20 spending was for the new Stanford Hospital, which opened in the fall of 2019. It is a modern, technologically advanced facility that meets California earthquake safety standards and has supported faculty and staff in confronting the challenges driven by the COVID-19 pandemic. The majority of LPCH's FY20 spending was to complete the buildout of the first and fifth floors of the new children's hospital, which opened in 2017.

Stanford Health Care - New Hospital

Debt

During FY20, both the university and SHC issued new debt, driving a combined increase in total debt of $1.2 billion, to end the year at $8.2 billion. The issuances were met with significant demand from investors which, with a low interest rate environment, resulted in historical record-low borrowing rates. In June 2020, the university issued $750 million in taxable bonds for general corporate purposes, capitalizing on favorable rates to bolster liquidity and provide flexibility during uncertain financial conditions.

The university continued to maintain the highest available long- and short-term credit ratings by Moody's, S&P and Fitch rating agencies. The investors' and rating agencies' response re-affirmed their confidence in the university's exceptional strategic position and leadership despite accessing the market during a time of significant near-term ambiguity about the course of the pandemic.

SHC borrows tax-exempt debt through the California Health Facilities Financing Authority (CHFFA), a conduit issuer. In April 2020, CHFFA, on behalf of SHC, issued fixed rate revenue bonds (the "2020A Revenue Bonds") in the aggregate principal amount of $170 million plus an original issue premium of $20 million. Proceeds of the 2020A Bonds were used to 1) finance certain costs of the new Stanford Hospital project and 2) refund the 2012C variable rate revenue bonds previously issued by CHFFA for the benefit of the Corporation. In April 2020, SHC also issued taxable fixed rate bonds in the amount of $300 million for general corporate purposes. In March 2020, SHC's long-term ratings were affirmed by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings at AA-/Aa3/AA, respectively.

While LPCH did not issue any new debt in FY20, LPCH's long-term ratings of A+/A1/AA- were affirmed by S&P Global Ratings and Moody's Investors Service in November 2019 and by Fitch Ratings in October 2020, respectively.

Looking Forward

As we look forward, Stanford confronts a number of challenges but also exciting opportunities for teaching, research and health care.

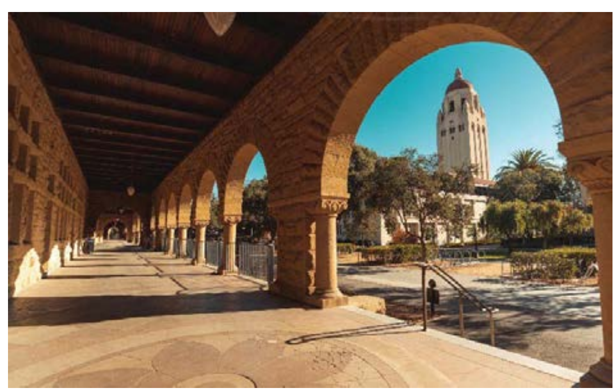
As the COVID-19 pandemic is ongoing, including additional surges of infections in late 2020, and the outlook on the vaccine development is still tentative, it's uncertain when our operations can fully return to pre-pandemic normality.

In addition to the pandemic, our campus also feels the effects of climate change. During the past several summers, Stanford has experienced record heat waves driving us to invest $85 million in doubling chiller capacity to ensure adequate cooling of research and health care facilities. During summer 2020, California had record wildfires including several surrounding the Bay Area in August. The fires caused numerous employees to evacuate their homes and the intense wildfire smoke caused suspension of campus outdoor activities for multiple days.

Notwithstanding these challenges, Stanford will continue to meet them with an eye toward the long term. We benefit from a deep reservoir of leadership and financial resources that will support us as we advance our mission now and into the future.

One certainty is that how we deliver on that mission will continue to evolve. We make daily advancements in how we support teaching and learning from a distance, our health care providers continue to develop our telehealth services, so that Stanford can reach more patients more effectively, and our research activities remain sharply focused on those same challenges that are affecting our local and broader community. Stanford also remains committed to doing all of this work through the lens of our IDEAL initiative (Inclusion, Diversity, Equity in a Learning Environment) and that of culturally competent care to guide our vision for health care in the years to come.

We are confident that, as a united community, Stanford will emerge a stronger institution in delivering education, research and healthcare for the benefit of humanity. Our community can be a force both in addressing COVID-19 and its many implications, and in accelerating the benefits we can bring to the world.



SELECTED FINANCIAL AND OTHER DATA

Fiscal Years Ended August 31

	2020	2019	2018	2017	2016
	(dollars in millions)				
CONSOLIDATED STATEMENTS OF ACTIVITIES HIGHLIGHTS:					
Total operating revenues	$ 12,455	$12,262	$11,311	$10,504	$ 9,797
Student income (A)	610	653	635	618	587
Sponsored support	1,622	1,683	1,656	1,636	1,453
Health care services	7,137	7,051	6,302	5,682	5,264
Investment income distributed for operations	1,661	1,583	1,509	1,327	1,338
Total operating expenses	12,348	11,639	10,839	10,056	9,307
Change in net assets from operating activities	107	623	472	448	490
Other changes in net assets	1,877	1,338	2,181	3,156	947
Net change in total net assets	$ 1,984	$ 1,961	$ 2,653	$ 3,604	$ 1,437
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS:					
Investments at fair value	$ 40,929	$38,819	$37,784	$35,842	$31,332
Plant facilities, net of accumulated depreciation	13,173	12,863	11,678	10,223	9,000
Notes and bonds payable	8,226	7,075	6,662	6,401	5,402
Total assets	62,970	57,803	54,746	51,648	46,586
Total liabilities	15,797	12,614	11,519	11,074	9,616
Total net assets	47,173	45,189	43,227	40,574	36,970
UNIVERSITY STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS:					
Investments at fair value	$ 37,575	$35,292	$34,517	$33,297	$29,086
Plant facilities, net of accumulated depreciation	7,686	7,270	6,508	5,623	5,169
Notes and bonds payable	5,004	4,247	3,834	3,954	3,271
Total assets	49,934	46,370	44,037	41,954	37,767
Total liabilities	9,628	7,869	7,153	7,263	6,048
Total net assets	40,305	38,501	36,884	34,691	31,719
OTHER FINANCIAL DATA AND METRICS:					
University endowment at year-end	$ 28,948	$27,700	$26,465	$24,785	$22,398
University endowment payout in support of operations	1,355	1,303	1,240	1,166	1,132
As a % of beginning of year University endowment	4.9 %	4.9 %	5.0 %	5.2 %	5.1 %
As a % of University total expenses	22.3 %	21.8 %	21.9 %	21.7 %	23.0 %
Total gifts as reported by the Office of Development (B)	1,363	1,112	1,097	1,129	951
STUDENTS:					
ENROLLMENT: (C)					
Undergraduate	6,366	6,994	7,083	7,056	7,032
Graduate	8,791	9,390	9,437	9,368	9,304
DEGREES CONFERRED:					
Bachelor degrees	1,771	1,893	1,754	1,669	1,744
Advanced degrees	3,422	3,433	3,440	3,429	3,370
FACULTY:					
Total Professoriate (C)	2,279	2,276	2,241	2,219	2,180
ANNUAL UNDERGRADUATE TUITION RATE (IN DOLLARS)	$ 52,857	$50,703	$48,987	$47,331	$45,729

(A) Student income is reported net of financial aid in the Consolidated Statements of Activities.
(B) Includes University, SHC and LPCH gifts.
(C) Fall quarter immediately following fiscal year-end.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Leland Stanford Junior University ("Stanford University" or the "University") is the sole member of Stanford Health Care (SHC) and Lucile Salter Packard Children's Hospital at Stanford (LPCH). SHC and LPCH each have their own separate management with responsibility for their own financial reporting.

Management of the University, SHC and LPCH is each responsible for the integrity and reliability of their respective portions of these financial statements. The University oversees the process of consolidating SHC's and LPCH's information into the *Consolidated Financial Statements*. Management of each entity represents that, with respect to its financial information, the *Consolidated Financial Statements* in this annual report have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

In accumulating and controlling financial data, management of the University, SHC and LPCH maintains separate systems of internal control. Management of the respective entities believes that effective internal control has been designed, implemented and maintained to provide reasonable assurance that assets are protected and that transactions and events are recorded properly. All internal control systems, however, no matter how well designed, have inherent limitations and can provide only reasonable assurance that their objectives are met.

The accompanying *Consolidated Financial Statements* have been audited by the University's, SHC's and LPCH's independent auditor, PricewaterhouseCoopers LLP. Their report expresses an opinion as to whether the *Consolidated Financial Statements*, considered in their entirety, present fairly, in conformity with U.S. GAAP, the consolidated financial position and changes in net assets and cash flows. The independent auditor's opinion is based on audit procedures described in their report, which include considering internal control relevant to the preparation and fair presentation of the *Consolidated Financial Statements* in order to design audit procedures to provide reasonable assurance that the financial statements are free from material misstatement.

The Board of Trustees of the University and the separate Boards of Directors of SHC and LPCH, through their respective audit committees, comprised of trustees and directors not employed by the University, SHC or LPCH, are responsible for engaging the independent auditor and meeting with management, internal auditors and the independent auditor to independently assess whether each is carrying out its responsibility and to discuss auditing, internal control and financial reporting matters. Both the internal auditors and the independent auditor have full and free access to the respective audit committees. Both meet with the respective audit committees at least annually, with and without each other, and without the presence of management representatives.

Randall S. Livingston
Vice President for Business Affairs
and Chief Financial Officer
and University Liaison for Stanford Medicine
Stanford University

Anne Sweeney-Hoy
Senior Associate Vice President of Finance
Stanford University

Linda Hoff
Chief Financial Officer
Stanford Health Care

Dana Haering
Chief Financial Officer
Lucile Salter Packard Children's Hospital at Stanford

Report of Independent Auditors

To the Board of Trustees of the
Leland Stanford Junior University

We have audited the accompanying consolidated financial statements of the Leland Stanford Junior University and its subsidiaries ("Stanford"), which comprise the consolidated statements of financial position as of August 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Stanford'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 Stanford'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 the Leland Stanford Junior University and its subsidiaries as of August 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

December 2, 2020

PricewaterhouseCoopers LLP

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, 2020 and 2019 (in thousands of dollars)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 3,142,981	$ 1,631,568
Assets limited as to use	253,483	291,690
Accounts receivable, net	1,540,076	1,429,451
Prepaid expenses and other assets	479,654	448,772
Pledges receivable, net	1,472,466	1,469,686
Student loans receivable, net	46,089	51,998
Faculty and staff mortgages and other loans receivable, net	829,262	797,088
Investments at fair value	40,929,240	38,819,204
Right-of-use assets	1,104,189	—
Plant facilities, net of accumulated depreciation	13,172,620	12,863,487
Works of art and special collections	—	—
TOTAL ASSETS	**$ 62,970,060**	**$ 57,802,944**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 3,059,141	$ 2,518,600
Liabilities associated with investments	1,002,896	758,161
Lease liabilities	1,140,497	—
Deferred income and other obligations	1,626,449	1,423,315
Accrued pension and postretirement benefit obligations	719,879	799,313
Notes and bonds payable	8,225,671	7,074,844
U.S. government refundable loan funds	22,668	39,745
TOTAL LIABILITIES	**15,797,201**	**12,613,978**
NET ASSETS:		
Without donor restrictions	28,906,775	27,065,691
With donor restrictions	18,266,084	18,123,275
TOTAL NET ASSETS	**47,172,859**	**45,188,966**
TOTAL LIABILITIES AND NET ASSETS	**$ 62,970,060**	**$ 57,802,944**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended August 31, 2020 and 2019 (in thousands of dollars)

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUES:		
TOTAL STUDENT INCOME, NET	**$ 610,172**	**$ 652,853**
Sponsored support:		
Direct costs - University	858,422	850,779
Direct costs - SLAC National Accelerator Laboratory	484,823	545,359
Indirect costs	278,635	286,782
TOTAL SPONSORED SUPPORT	**1,621,880**	**1,682,920**
TOTAL HEALTH CARE SERVICES, primarily net patient service revenue	**7,136,588**	**7,050,672**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**295,726**	**256,413**
Net assets released from restrictions:		
Payments received on pledges	187,033	153,478
Prior year gifts released from donor restrictions	70,305	75,852
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**257,338**	**229,330**
Investment income distributed for operations:		
Endowment	1,372,967	1,319,170
Expendable funds pools and other investment income	288,150	263,641
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,661,117**	**1,582,811**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**872,596**	**807,021**
TOTAL OPERATING REVENUES	**12,455,417**	**12,262,020**
OPERATING EXPENSES:		
Salaries and benefits	7,445,729	6,892,410
Depreciation	813,403	701,163
Other operating expenses	4,088,955	4,045,911
TOTAL OPERATING EXPENSES	**12,348,087**	**11,639,484**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 107,330**	**$ 622,536**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES, Continued

For the years ended August 31, 2020 and 2019 (in thousands of dollars)

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)		
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 107,330**	**$ 622,536**
NON-OPERATING ACTIVITIES:		
Increase in reinvested gains	792,130	1,222,273
Donor advised funds, net	61,723	8,518
Current year gifts not included in operations	2,026	3,251
Capital and other gifts released from restrictions	978,866	94,935
Pension and other postemployment benefit related changes other than service cost	91,792	(178,249)
Transfer to net assets with donor restrictions, net	(128,935)	(117,765)
Swap interest and change in value of swap agreements	(62,036)	(169,393)
Other	(1,812)	(11,564)
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**1,841,084**	**1,474,542**
NET ASSETS WITH DONOR RESTRICTIONS		
Gifts and pledges, net	739,241	590,419
Increase in reinvested gains	519,423	114,253
Change in value of split-interest agreements, net	16,293	3,827
Net assets released to operations	(282,079)	(252,362)
Capital and other gifts released to net assets without donor restrictions	(978,866)	(94,935)
Transfer from net assets without donor restrictions, net	128,935	117,765
Other	(138)	7,894
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**142,809**	**486,861**
NET CHANGE IN TOTAL NET ASSETS	**1,983,893**	**1,961,403**
Total net assets, beginning of year	45,188,966	43,227,563
TOTAL NET ASSETS, END OF YEAR	**$47,172,859**	**$45,188,966**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31, 2020 and 2019 (in thousands of dollars)

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,983,893	$ 1,961,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	813,403	701,163
Amortization of bond premiums, discounts and other	9,814	(19,000)
Losses (gains) on disposal of plant facilities	981	(3,820)
Net gains on investments	(2,721,023)	(2,594,115)
Change in fair value of interest rate swaps	42,017	154,849
Change in split-interest agreements	43,609	28,549
Change in deferred tax asset and liability	57,219	15,350
Investment income for restricted purposes	(905)	(13,377)
Gifts restricted for long-term investments	(364,763)	(350,161)
Gifts of securities and properties	(27,432)	(28,660)
Other	25,950	8,981
Premiums received from bond issuance	19,885	158,169
Changes in operating assets and liabilities:		
Accounts receivable	(25,996)	(126,210)
Pledges receivable, net	(69,335)	(54,166)
Prepaid expenses and other assets	(107,108)	(66,568)
Accounts payable and accrued expenses	605,492	191,274
Accrued pension and postretirement benefit obligations	(79,434)	194,721
Lease liabilities	5,725	—
Deferred income and other obligations	131,449	156,074
NET CASH PROVIDED BY OPERATING ACTIVITIES	**343,441**	**314,456**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to plant facilities, net	(1,283,341)	(1,920,325)
Student, faculty and other loans:		
New loans made	(105,086)	(142,331)
Principal collected	65,511	66,276
Purchases of investments	(15,981,319)	(13,673,939)
Sales and maturities of investments	17,663,914	14,940,137
Change associated with short term investments	(684,461)	375,581
Swap settlement payments, net	(16,825)	(12,595)
NET CASH USED FOR INVESTING ACTIVITIES	**(341,607)**	**(367,196)**
CASH FLOW FROM FINANCING ACTIVITIES		
Gifts and reinvested income for restricted purposes	427,189	425,415
Proceeds from borrowing	1,429,662	1,001,445
Repayment of notes and bonds payable	(262,171)	(719,241)
Bond issuance costs and interest rate swaps	(6,115)	(2,135)
Contributions received for split-interest agreements	55,503	27,921
Payments made under split-interest agreements	(46,095)	(42,989)
Securities lending collateral sold, net	(19,468)	(57,215)
Change in liabilities associated with investments	—	(11,237)
Other	(14,319)	16,563
NET CASH PROVIDED BY FINANCING ACTIVITIES	**1,564,186**	**638,527**
INCREASE IN CASH AND CASH EQUIVALENTS	**1,566,020**	**585,787**
Cash and cash equivalents, beginning of year	2,012,835	1,427,048
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 3,578,855**	**$ 2,012,835**
SUPPLEMENTAL DATA:		
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 3,142,981	$ 1,631,568
Restricted cash and cash equivalents included in assets limited as to use	92	94,907
Restricted cash included in other assets	44,168	49,203
Cash and restricted cash included in investments	391,614	237,157
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS	**$ 3,578,855**	**$ 2,012,835**
Interest paid, net of capitalized interest	$ 251,907	$ 200,064
Change in payables for plant facilities	$ (170,658)	$ (47,135)
Right-of-use assets obtained in exchange for lease liabilities	$ 447,016	$ —

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

BASIS OF PRESENTATION

The *Consolidated Financial Statements* include the accounts of The Leland Stanford Junior University ("Stanford University" or the "University"), Stanford Health Care (SHC), Lucile Salter Packard Children's Hospital at Stanford (LPCH) and other majority-owned or controlled entities of the University, SHC and LPCH. Collectively, all of these entities are referred to as "Stanford". All significant inter-entity transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation. These reclassifications had no impact on total net assets or the change in total net assets.

University

The University is a private, not-for-profit educational institution, founded in 1885 by Senator Leland and Mrs. Jane Stanford in memory of their son, Leland Stanford Jr. A Board of Trustees (the "Board") governs the University. The University information presented in the *Consolidated Financial Statements* comprises all of the accounts of the University, including its institutes and research centers, and the Stanford Management Company.

SLAC National Accelerator Laboratory (SLAC) is a federally funded research and development center owned by the U.S. Department of Energy (DOE). The University manages and operates SLAC for the DOE under a management and operating contract; accordingly, the revenues and expenditures of SLAC are included in the *Consolidated Statements of Activities*, but SLAC's DOE funded assets and liabilities are not included in the *Consolidated Statements of Financial Position*. SLAC employees are University employees and participate in the University's employee benefit programs. The University holds some receivables from the DOE substantially related to reimbursement for employee compensation and benefits.

Hospitals

SHC and LPCH (the "Hospitals") are California not-for-profit public benefit corporations, each governed by a separate Board of Directors. The University is the sole member of each of these entities. SHC and LPCH support the mission of medical education and clinical research of the University's School of Medicine (SOM). Collectively, the SOM and Hospitals comprise Stanford Medicine. SHC and LPCH operate two licensed acute care and specialty hospitals on the Stanford campus, a leading community acute care hospital, and numerous physician clinics on the campus, in community settings and in association with regional hospitals in the San Francisco Bay Area and elsewhere in California. The University has partnered with SHC and LPCH, respectively, to establish physician medical foundations to support Stanford Medicine's mission of delivering quality care to the community and conducting research and education.

TAX STATUS

The University, SHC and LPCH are exempt from federal and state income taxes to the extent provided by Section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxable at corporate income tax rates, and provisions of the 2017 Tax Cuts and Jobs Act (TCJA).

In accordance with the guidance on accounting for uncertainty in income taxes, management regularly evaluates its tax positions and does not believe the University, SHC or LPCH have any uncertain tax positions that require disclosure in or adjustment to the *Consolidated Financial Statements*. The University, SHC and LPCH are subject to routine audits by taxing jurisdictions. Management of each of the consolidated entities believes they are no longer subject to income tax examinations for fiscal years prior to August 31, 2016.

BASIS OF ACCOUNTING

The *Consolidated Financial Statements* are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These principles require 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 reporting period. Actual results could differ from those estimates.

For financial reporting purposes, net assets and revenues, expenses, gains and losses are classified into one of two categories - net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of legal or donor-imposed restrictions (see *Note 10*).

Net assets without donor restrictions are expendable resources which are not subject to donor-imposed restrictions. These net assets may be designated by Stanford for specific purposes under internal operating and administrative arrangements or be subject to contractual agreements with external parties (see *Note 10*).

Net assets with donor restrictions include gifts, pledges and split-interest agreements (a) which by donor stipulation must be made available in perpetuity for investment or specific purposes, or (b) for which legal or donor imposed restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors, or appreciation and income on certain donor-restricted endowment funds that have not yet been appropriated for spending (see *Note 11*).

Contributions with donor restrictions that relate to Stanford's core activities and are received and expended or deemed expended based on the nature of donors' restrictions are classified as net assets without donor restrictions. Gifts and pledges subject to donor-imposed restrictions for specific purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions upon expiration of time and purpose restrictions. Donor-restricted resources intended for capital projects are initially recorded as net assets with donor restrictions and then released and reclassified as net assets without donor restrictions when the asset is placed in service.

Transfers from net assets without donor restrictions to net assets with donor restrictions are primarily the result of donor redesignations or matching funds that are added to donor gift funds which then take on the same restrictions as the donor gift.

The operating activities of Stanford include the revenues earned and expenses incurred in the current year to support teaching, research, and health care. The non-operating activities of Stanford include increases in reinvested gains, current year gifts not included in operations, capital and other gifts released from restrictions, pension and other postemployment benefit related changes other than service cost, and certain other non-operating activities. All expenses are recorded as a reduction of net assets without donor restrictions with the exception of investment expenses that are required to be netted against investment returns.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the *Consolidated Statements of Financial Position* primarily consist of U.S. Treasury bills, certificates of deposit, repurchase agreements, money market funds and all other short-term investments available for current operations with original maturities of 90 days or less at the time of purchase. These amounts are carried at amortized cost, which approximates fair value. Cash and cash equivalents that are held for investment purposes are classified as investments (see *Note 6*). The University has elected the policy to treat cash equivalents held for investment as short-term investments, therefore, excluded from cash and cash equivalents on the *Consolidated Statements of Cash Flows.*

ASSETS LIMITED AS TO USE

Assets limited as to use consist of deferred compensation plan assets and tax-exempt bond proceeds as described below:

Deferred compensation plan assets

The University's custodians hold 457(b) non-qualified deferred compensation plan assets under a grantor trust which requires that they be used to satisfy plan obligations to participants and beneficiaries unless the University becomes insolvent. The funds are primarily invested in mutual funds, at the participants' discretion, which are valued based on quoted market prices (and exchange rates, if applicable) on the last trading date of the principal market on or before August 31.

Tax-exempt bond proceeds

The proceeds of tax-exempt bonds issued for the benefit of the University and trustee-held accounts holding proceeds of tax-exempt bonds issued for the benefit of SHC and LPCH are limited by the terms of indentures to use for qualified capital projects. The assets consist of cash and cash equivalents, recorded at cost, which approximates fair value.

ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable are carried at cost, less an allowance for doubtful accounts.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses consist of amounts paid in advance for goods or services that will be received after the end of the fiscal year including software licenses and travel programs. Other assets include cash collateral held for interest rate swaps (see *Note 7*) and restricted cash.

PLEDGES RECEIVABLE

Unconditional promises to give are included in the *Consolidated Financial Statements* as pledges receivable and are classified as donor restricted. Pledges recognized on or after September 1, 2009 are recorded at an applicable risk-adjusted discount rate commensurate with the duration of the donor's payment plan. Pledges recognized in periods prior to September 1, 2009 were recorded at a discount based on the U.S. Treasury rate. Conditional promises to give are not recorded until specified obligations or barriers, such as milestones or performance targets, are met.

INVESTMENTS

Investments are recorded at fair value. Gains and losses (realized and unrealized) on investments are recognized in the *Consolidated Statements of Activities* (see *Note 6*).

PLANT FACILITIES

Plant facilities are recorded at cost or, for donated assets, at fair value at the date of donation. Interest expense for construction financing, net of income earned on unspent proceeds, is capitalized as a cost of construction. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives used in calculating depreciation for the years ended August 31, 2020 and 2019 are as follows:

Land improvements	5-25 years
Buildings and building improvements	3-50 years
Furniture, fixtures and equipment	3-20 years
Utilities	5-40 years

WORKS OF ART AND SPECIAL COLLECTIONS

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are not capitalized. Donations of such collections are not recorded for financial statement purposes. Purchases of collection items are recorded as operating expenses in the period in which they are acquired. Proceeds from sales of such items are used to acquire other items for the collections.

DONATED ASSETS

Donated assets, other than works of art and special collections, are recorded at fair value at the date of donation. Undeveloped land, including land acquired under the original endowment to the University from Senator Leland and Mrs. Jane Stanford, is reported at fair value as of the date of acquisition. Under the terms of the original founding grant, a significant portion of University land may not be sold.

DONOR ADVISED FUNDS

The University receives gifts from donors under donor advised fund (DAF) agreements. These funds are owned and controlled by the University and are separately identified by donor. A significant portion of the gift must be designated to the University. At August 31, 2020 and 2019, approximately $574.3 million and $509.1 million, respectively, of DAFs may be used to support other approved charities; the donors have advisory privileges with respect to the distribution of these funds.

Current year gifts under the DAF agreements are included in the *Consolidated Statements of Activities* as "donor advised funds, net" at the full amount of the gift. Transfers of funds to other charitable organizations are included in the *Consolidated Statements of Activities* as a reduction to "donor advised funds, net" at the time the transfer is made.

SPLIT-INTEREST AGREEMENTS

Split-interest agreements consist of arrangements with donors where Stanford has an interest in the assets and receives benefits that are shared with other beneficiaries. Stanford's split-interest agreements with donors, for which Stanford serves as trustee, consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, perpetual trusts and charitable lead trusts. Assets are invested and payments are made to donors or other beneficiaries in accordance with the respective agreements. Contribution revenues are recognized at the date the agreements are established. The fair value of the estimated future payments to beneficiaries under these agreements is recorded as a liability.

The assets held under split-interest agreements, where the University is the trustee, were $909.6 million and $844.4 million at August 31, 2020 and 2019, respectively, and were recorded in specific investment categories. The assets held under split-interest agreements, where LPCH is the trustee, were $11.3 million and $11.4 million at August 31, 2020 and 2019, respectively, and were recorded in specific investment categories. Liabilities for the discounted present value of any income beneficiary interest are reported in "liabilities associated with investments" in the *Consolidated Statements of Financial Position*. At August 31, 2020 and 2019, the University used discount rates of 0.4% and 2.2%, respectively, based on the Charitable Federal Midterm Rate. The LPCH discount rate used during the years ended August 31, 2020 and 2019 was 0.7% and 1.8%, respectively, determined using the T-bill rate.

Included in assets held under split-interest agreements are amounts held to meet legally mandated annuity reserves of $32.9 million and $27.2 million as of August 31, 2020 and 2019 respectively, as required by California state law.

For irrevocable split-interest agreements whose assets are held in trusts not administered by the University, Stanford recognizes the estimated fair value of its beneficial interest in the trust assets and the associated gift revenue when reported to Stanford. These split-interest agreements are recorded in the "assets held by other trustees" category of "investments" in the *Consolidated Statements of Financial Position* as described in *Note 6*.

During fiscal years 2020 and 2019, the discounted present value of new University gifts subject to split-interest agreements, net of any income beneficiary share, was $12.9 million and $16.9 million, respectively, and was included in net assets with donor restrictions as "gifts and pledges, net" in the *Consolidated Statements of Activities*. Actuarial gains or losses were included in "change in value of split-interest agreements, net" in the *Consolidated Statements of Activities*.

DEFERRED INCOME AND OTHER OBLIGATIONS

Deferred income and other obligations consist of advance payments of student tuition, student room and board, sponsored support, and support of other operating programs. Revenue is recognized as it is earned or as the associated conditions are satisfied. In addition, the University records other deferred income and obligations as described below.

Deferred Rental Income

As part of its investment portfolio, the University holds certain investment properties that it leases to third parties under non-cancellable leases. In some lease transactions with properties in the Stanford Research Park and other properties, including the Stanford Shopping Center, prepaid rent is received, recorded as deferred rental income and amortized over the term of the lease (see also the *Future Minimum Rental Income* section in *Note 6*). As of August 31, 2020 and 2019, deferred rental income was $797.4 million and $704.3 million, respectively.

457(b) Deferred Compensation Plan

The University offers a non-qualified deferred compensation plan under Internal Revenue Code 457(b) to a select group of highly compensated employees. There is no University contribution related to the plan. The University has recorded both an asset and a liability related to the plan of $253.4 million and $196.8 million as of August 31, 2020 and 2019, respectively; the assets are included in "assets limited as to use" in the *Consolidated Statements of Financial Position*.

Repurchase Obligations

In an effort to provide affordable housing, certain residential units are offered to eligible faculty and staff under long-term restricted ground leases. These units are located on or in close proximity to Stanford's campus. The cost of the units that are constructed or purchased by the University is included in "plant facilities, net of accumulated depreciation" in the *Consolidated Statements of Financial Position*.

The University has the obligation to repurchase certain residential units when specified triggering events occur. As of August 31, 2020 and 2019, Stanford has recognized a net repurchase obligation of $101.6 million and $86.5 million, respectively, to repurchase its interests in these residential units, net of home mortgage financing assistance provided by the University of $190.7 million and $167.4 million, respectively (see *Note 5*). The change in the repurchase obligation and the original purchase price is recorded as interest accretion and is reflected in "other operating expenses" in the *Consolidated Statements of Activities*. For the years ended August 31, 2020 and 2019, interest accretion was $8.7 million and $6.9 million, respectively.

Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized at the same amount as the liability. Asset retirement costs are subsequently amortized over the useful lives of the related assets and the obligations are increased based on an appropriate discount rate. As of August 31, 2020 and 2019, SHC had asset retirement obligations of $104.1 million and $100.6 million, respectively.

SELF-INSURANCE

The University self-insures at varying levels for unemployment, disability, workers' compensation, property losses, certain health care plans and general and professional liability losses. SHC and LPCH self-insure at varying levels for health care plans, workers' compensation and, through their captive insurance company, for professional liability losses. In some cases, third-party insurance is purchased to cover liabilities in excess of self-insured retentions. Estimates of retained self-insured losses are reserved and accrued.

INTEREST RATE EXCHANGE AGREEMENTS

The University and SHC have entered into several interest rate exchange agreements to reduce the effect of interest rate fluctuation on their variable rate revenue bonds and notes. Current accounting guidance for derivatives and hedges requires entities to recognize all derivative instruments at fair value. The University and SHC do not designate and qualify their derivatives for hedge accounting; accordingly, any changes in the fair value (i.e. gains or losses) flow directly to the *Consolidated Statements of Activities* as a non-operating activity in "swap interest and change in value of swap agreements." The settlements (net cash payments less receipts) under the interest rate exchange agreements are also recorded in the *Consolidated Statements of Activities* in "swap interest and change in value of swap agreements."

The University has also entered into interest rate exchange agreements to reduce the effect of interest rate fluctuations of certain investment positions (see *Note 7*).

REVENUE

Student income and financial aid

"Student income, net" reported in the *Consolidated Statements of Activities* consists of tuition, room and board, and other student fees from undergraduate and graduate students which are recognized as revenue ratably during the fiscal year in which the academic services are rendered. The University also provides financial aid in the form of scholarship and fellowship grants that cover a portion of tuition, room and board, and other student fees; this financial assistance is reflected as a reduction of student income. Student payments are due at the beginning of each academic term. Payments received for future academic terms are recorded as deferred income and totaled $28.6 million and $47.0 million for the years ended August 31, 2020 and 2019, respectively. These payments are recognized in the subsequent fiscal year. The following table presents student income, net of financial aid, for the years ended August 31, in thousands of dollars:

	2020	2019
Student income:		
Undergraduate programs	$ 383,870	$ 383,776
Graduate programs	391,480	385,712
Room and board	164,874	205,422
Student financial aid	(330,052)	(322,057)
TOTAL STUDENT INCOME, NET	**$ 610,172**	**$ 652,853**

In addition to student financial aid, the University also provided other graduate support in the form of stipends, teaching and research assistantships, and related allowances for tuition. These amounts are reflected in operating expenses.

Sponsored Support

The University conducts substantial research pursuant to contracts and grants from the federal government, state and local governments, private corporations, foundations and others. Sponsored support earned from the federal government (including SLAC) is the largest segment of sponsored support. For both years ended August 31, 2020 and 2019, federal sponsored support was $1.3 billion. The Office of Naval Research is the University's cognizant federal agency for determining indirect cost rates charged to federally sponsored agreements. It is supported by the Defense Contract Audit Agency, which has the responsibility for auditing direct and indirect charges under those agreements.

The majority of sponsored support is contribution revenue and is recognized when any sponsor-imposed conditions have been met, typically when qualifying expenditures are incurred. Sponsored contribution revenue for the years ended August 31, 2020 and 2019 was $1.0 billion and $993.6 million, respectively.

Other sponsored arrangements are considered exchange transactions and revenue is recognized in accordance with the terms of each contract or grant which are primarily based on costs incurred, completion of milestones, or other obligations as specified in the contracts. For the years ended August 31, 2020 and 2019, the University recognized $122.5 million and $143.9 million in revenue from exchange contracts, respectively.

SLAC is managed and operated by the University for the DOE under a management and operating contract, which is considered to be an exchange transaction. The University operates SLAC and the DOE is obligated to pay for allowable operating costs. The University recognizes revenue from the DOE as costs are incurred in the management and operation of SLAC per the terms of the contract. Revenue of $484.8 million and $545.4 million was recognized for the years ended August 31, 2020 and 2019, respectively.

Deferred income of $179.8 million and $162.8 million was recorded at August 31, 2020 and 2019, respectively, for payments received from sponsors that have not been earned. During the years ended August 31, 2020 and 2019, $107.8 million and $114.3 million of revenue was recognized that was included in the prior year deferred income balance, respectively. In addition, as of August 31, 2020 and 2019, the University had been awarded $1.1 billion and $993.8 million, respectively, in sponsored support for which the conditions to recognize revenue have not been met. These are conditional contributions and are not recorded in the *Consolidated Financial Statements*.

Health Care Services

"Total health care services" is reported in the *Consolidated Statements of Activities* at the estimated net realizable amounts from patients, third-party payers, and others for services rendered (collectively, "patient care revenue"). Estimated net realizable amounts represent amounts due, net of price concessions. Price concessions are based on management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators. SHC and LPCH derive a majority of patient care revenues from contractual agreements with Medicare, Medi-Cal and other third-party payers. Payments under these agreements and programs are based on a variety of payment models (see *Note 12*). Health care revenue is recognized as services are rendered either at a point in time or, for inpatient acute care services, over time generally from admission to discharge. Generally, patients and third-party payers are billed several days after services are performed or shortly after discharge. All health care revenue relates to contracts with customers with a duration of less than one year.

The University has entered into various operating agreements with SHC and LPCH for the professional services of School of Medicine faculty members, and for non-physician services such as telecommunications, facilities, and other services. The payments by the Hospitals to the University for professional services are eliminated in consolidation.

SHC and LPCH provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. The Hospitals do not record revenue for amounts determined to qualify as charity care (see *Note 12*).

Gifts

Gifts are contributions primarily received from donors such as alumni and other private individuals, trusts, and foundations. Gifts may be designated by donors for specific purposes; accordingly, they are recognized in the period received in the appropriate net asset category based on the presence or absence of donor restrictions on their use. Contributions designated for the acquisition of plant facilities and long-term investments are initially reported in net assets with donor restrictions.

Gifts are considered conditional if the terms of the agreement require Stanford to return funds if certain specified obligations, or barriers, are not met such as milestones and performance targets. Conditional gifts are not recorded until the obligations or barriers are met.

Special Program Fees and Other Income

Special program fees and other income consists of several exchange contracts including instruction fees for professional education programs, membership affiliation fees, rental income, conference trip revenue, distributions from the Pac-12 Conference, Stanford Blood Center fees, and various other types of income. Depending on the program, revenue is recognized at a point in time or over time as obligations are met. For the year ended August 31, 2020, other income includes $203.6 million of CARES Act provider relief funds. Provider relief fund revenue was recognized based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (see *Note 19*).

RECENT ACCOUNTING PRONOUNCEMENTS

Periodically, the Financial Accounting Standards Board (FASB) issues updates to the Accounting Standards Codification (ASC) which impact Stanford's financial reporting and related disclosures. The following paragraphs summarize relevant updates. Unless otherwise noted, Stanford is currently evaluating the impact that these updates will have on the *Consolidated Financial Statements*.

Contributed nonfinancial assets

Accounting Standards Update (ASU) 2020-07, FASB Issue Date: September 2020, Effective Date: Fiscal Year 2022

The ASU provides enhanced presentation and disclosure requirements for contributed nonfinancial assets for not-for-profit entities including additional disclosure requirements for recognized contributed services. Contributed nonfinancial assets should be presented in a separate line item in the *Statement of Activities* apart from cash contributions. Additional disclosures are required about qualitative information, policy (if any) on monetizing rather than utilizing, donor-imposed restrictions and fair value measurement of contributed nonfinancial assets.

Reference rate reform
ASU 2020-04, FASB Issue Date: March 2020, Effective Date: All contracts as of March 12, 2020 through December 31, 2022
The ASU provides optional expedients for applying GAAP to contracts and other transactions that reference LIBOR or other reference rates that are expected to be discontinued because of reference rate reform. The amendments also permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement.

Works of art and special collections
ASU 2019-03, FASB Issue Date: March 2019, Effective Date: Fiscal Year 2021
The ASU modifies the definition of the term "collections" so that they are subject to an organizational policy that stipulates the use of proceeds from collection items that are sold to be for the acquisition of new collection items, the direct care of existing collections, or both.

Cloud computing arrangements
ASU 2018-15, FASB Issue Date: In August 2018, Effective Date: Fiscal Year 2022
The ASU allows capitalization of implementation costs incurred in a cloud computing arrangement in a manner that is consistent with the capitalization of implementation costs incurred to develop or obtain internal-use software.

Defined benefit plan disclosures
ASU 2018-14, FASB Issue Date: August 2018, Effective Date: Fiscal Year 2022
The ASU adds, removes, and clarifies disclosure requirements related to defined benefit pension and other postretirement plans.

Fair value
ASU 2018-13, FASB Issue Date: August 2018, Effective Date: Fiscal Year 2021
The ASU adds, modifies, and removes certain fair value measurement disclosure requirements. The portion of this guidance that modifies and removes fair value disclosure requirements was early adopted in fiscal year 2019. The remaining guidance will be adopted in fiscal year 2021.

ASU 2016-01, FASB Issue Date: January 2016, Effective Date: Fiscal Year 2020
The ASU eliminates the requirement to disclose the fair value of financial instruments measured at cost and requires equity investments (except those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. The portion of this guidance that eliminates the requirement to disclose the fair value of financial instruments measured at cost (such as the fair value of debt) was early adopted in fiscal year 2019. The remaining guidance was adopted in fiscal year 2020 and did not have any impact on the *Consolidated Financial Statements*.

Pension service costs
ASU 2017-07, FASB Issue Date: In March 2017, Effective Date: Fiscal Year 2020
The ASU requires that an employer report the service cost component of pension costs in the same line item as employee compensation costs within operating income. The other components of net benefit cost are required to be presented as "non-operating activities", and will not be eligible for capitalization. The new guidance has been adopted in fiscal year 2020 and did not have a material impact on the *Consolidated Financial Statements*.

Statement of cash flows
ASU 2016-18, FASB Issue Date: November 2016, Effective Date: Fiscal Year 2020
The ASU requires that all cash, cash equivalents, and 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 new guidance has been adopted retrospectively in fiscal year 2020 and did not have a material impact on the *Consolidated Financial Statements*.

ASU 2016-15, FASB Issue Date: August 2016, Effective Date: Fiscal Year 2020
The ASU improves consistency of how certain transactions are classified across industries in the statement of cash flows. The new guidance has been adopted in fiscal year 2020 and did not have a material impact on the *Consolidated Financial Statements*.

Leases

ASU 2016-02, FASB Issue Date: February 2016, Effective Date: Fiscal Year 2020

The ASU requires lessees to recognize operating and financing lease liabilities and corresponding right-of use assets in the *Consolidated Statements of Financial Position*. Stanford adopted this standard in fiscal year 2020 using the modified retrospective approach with no impact to the fiscal year 2019 *Consolidated Financial Statements.* Stanford elected the transition relief package of practical expedients to not reassess (i) whether any existing or expired contracts contain leases, (ii) lease classification for any existing or expired leases, and (iii) whether lease origination costs qualified as initial direct costs. Stanford also elected to not recognize on the *Consolidated Statements of Financial Position* leases with a term of less than one year. Stanford has lease agreements with lease and non-lease components for all real estate operating and finance leases and some of the equipment operating and finance leases. Stanford accounts for lease and non-lease components separately. The guidance also requires expanded disclosures (see *Note 17*).

2. Financial Assets and Liquid Resources

OVERVIEW

Stanford closely monitors its liquidity requirements and structures its financial assets to meet its short- and long-term needs and contractual commitments. To meet these needs, Stanford holds investments in various pools or in specific assets with varying degrees of liquidity, as well as having an authorized short-term commercial paper program. Stanford also has access to additional short-term financing facilities such as revolving lines of credit that can be available for unexpected liquidity needs (see *Note 9*).

OPERATIONS

The University, SHC and LPCH each manage their own operating cash through short-term investment pools. The primary investment objective for these funds is to preserve the principal value of the portfolio while meeting the liquidity needs of each of the entities. Cash flows vary seasonably during the year due to a variety of factors including timing of donor contributions, the University's academic calendar and the Hospitals' patient admission cycles. For working capital purposes, cash is managed by matching the timing of inflows and outflows as closely as possible, combined with active use of cash forecasting models to manage investment timing. Operating liquidity is tracked daily and reported weekly to provide management visibility. As noted above, back up borrowing facilities are also available to meet working capital needs.

MERGED POOL

The Merged Pool (MP) is the primary investment pool for endowment and other long-term funds for the University and the Hospitals. Approximately 14% of the MP consists of liquid investments, with the balance representing investments which are generally subject to constraints which either limit Stanford's ability to withdraw such capital or limit the amounts available for withdrawal at given redemption dates. The MP further maintains sufficient liquidity to distribute the monthly endowment payout in support of University operating expenditures, and to meet unfunded commitments associated with certain alternative investments. It is not the intention of the University to utilize its financial assets without donor restrictions-including board designated endowment funds-that are invested for the long-term for unplanned operating commitments; however, amounts could be made available from these sources if necessary, except for those underlying investments with lock-up provisions (see *Note 6)*.

Financial assets and liquid resources available within one year of the balance sheet date at August 31, 2020 and 2019 in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020				
Financial assets:				
Cash and cash equivalents	$ 1,153,303	$ 1,642,912	$ 346,766	$ 3,142,981
Assets limited as to use	—	—	—	—
Accounts receivable, net	219,349	654,342	513,297	1,386,988
Pledges receivable available for operations	108,345	—	10,733	119,078
Investments available for current use	852,839	709,260	610,407	2,172,506
Endowment payout in support of operations	1,270,000	—	—	1,270,000
Financial assets available to meet cash needs for general expenditure within one year	3,603,836	3,006,514	1,481,203	8,091,553
Liquid resources available for use:				
Taxable commercial paper	500,000	—	—	500,000
Tax-exempt commercial paper	250,000	—	—	250,000
Revolving credit facilities	389,700	200,000	170,000	759,700
TOTAL FINANCIAL ASSETS AND LIQUID RESOURCES AVAILABLE WITHIN ONE YEAR	**$ 4,743,536**	**$ 3,206,514**	**$ 1,651,203**	**$ 9,601,253**
2019				
Financial assets:				
Cash and cash equivalents	$ 856,553	$ 505,509	$ 269,506	$ 1,631,568
Assets limited as to use	94,896	—	—	94,896
Accounts receivable, net	235,153	685,425	427,956	1,348,534
Pledges receivable available for operations	82,947	—	8,273	91,220
Investments available for current use	385,376	1,049,485	588,875	2,023,736
Endowment payout in support of operations	1,362,000	—	—	1,362,000
Financial assets available to meet cash needs for general expenditure within one year	3,016,925	2,240,419	1,294,610	6,551,954
Liquid resources available for use:				
Taxable commercial paper	500,000	—	—	500,000
Tax-exempt commercial paper	300,000	—	—	300,000
Revolving credit facilities	369,430	200,000	170,000	739,430
TOTAL FINANCIAL ASSETS AND LIQUID RESOURCES AVAILABLE WITHIN ONE YEAR	**$ 4,186,355**	**$ 2,440,419**	**$ 1,464,610**	**$ 8,091,384**

3. Accounts Receivable

Accounts receivable, net of allowances for doubtful accounts, at August 31, 2020 and 2019, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020				
U.S. government sponsors	$ 111,300	$ —	$ —	$ 111,300
Non-federal sponsors and programs	65,184	18,803	23,265	107,252
Accrued interest on investments	13,564	—	—	13,564
Student	5,355	—	—	5,355
Patient and third-party payers	—	654,342	467,612	1,121,954
Other	40,910	119,990	22,420	183,320
	236,313	793,135	513,297	1,542,745
Less allowance for doubtful accounts	(2,669)	—	—	(2,669)
ACCOUNTS RECEIVABLE, NET	**$ 233,644**	**$ 793,135**	**$ 513,297**	**$ 1,540,076**
2019				
U.S. government sponsors	$ 109,218	$ —	$ —	$ 109,218
Non-federal sponsors and programs	79,871	7,510	—	87,381
Accrued interest on investments	13,669	—	—	13,669
Student	6,882	—	—	6,882
Patient and third-party payers	—	685,425	400,833	1,086,258
Other	41,850	58,777	27,123	127,750
	251,490	751,712	427,956	1,431,158
Less allowance for doubtful accounts	(1,707)	—	—	(1,707)
ACCOUNTS RECEIVABLE, NET	**$ 249,783**	**$ 751,712**	**$ 427,956**	**$ 1,429,451**

4. Pledges Receivable

Pledges are recorded at discounted rates ranging from 0.7% to 5.7%. At August 31, 2020 and 2019, pledges receivable, net of discounts and allowances, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2020					
One year or less	$ 286,750	$ 29,932	$ 40,841	$ (14,227)	$ 343,296
Between one year and five years	879,389	18,116	55,139	(29,316)	923,328
More than five years	338,056	4,687	25,658	(10,250)	358,151
	1,504,195	52,735	121,638	(53,793)	1,624,775
Less discounts and allowances	(134,778)	(5,339)	(12,192)	—	(152,309)
PLEDGES RECEIVABLE, NET	**$ 1,369,417**	**$ 47,396**	**$ 109,446**	**$ (53,793)**	**$ 1,472,466**
2019					
One year or less	$ 241,014	$ 29,691	$ 27,588	$ (16,301)	$ 281,992
Between one year and five years	889,219	33,348	107,009	(34,559)	995,017
More than five years	347,931	6,021	26,976	(7,900)	373,028
	1,478,164	69,060	161,573	(58,760)	1,650,037
Less discounts and allowances	(156,507)	(6,664)	(17,180)	—	(180,351)
PLEDGES RECEIVABLE, NET	**$ 1,321,657**	**$ 62,396**	**$ 144,393**	**$ (58,760)**	**$ 1,469,686**

5. Loans Receivable

Loans receivable consist primarily of University student loans receivable and faculty and staff mortgages. University management regularly assesses the adequacy of the allowance for credit losses of its loans by performing ongoing evaluations considering the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans and the value of any collateral.

STUDENT LOANS RECEIVABLE

Student loans receivable consist of institutional and federally-sponsored loans due from both current and former students. Student loans and allowance for student loan losses at August 31, 2020 and 2019, in thousands of dollars, are as follows:

	2020	2019
Institutional loans	$ 28,975	$ 29,074
Federally-sponsored loans	18,065	23,717
	47,040	52,791
Less allowance for student loan losses	(951)	(793)
STUDENT LOANS RECEIVABLE, NET	**$ 46,089**	**$ 51,998**

Institutional loans are funded by donor funds restricted for student loan purposes and University funds made available to meet demand for student loan borrowing in specific situations.

Federally-sponsored loans are funded by advances to the University primarily under the Federal Perkins Loan Program (the "Program"). During the year ended August 31, 2020, the University returned $16.4 million of Program funds to the U.S. Department of Education. Loans to students under the Program are subject to mandatory interest rates and significant restrictions and can be assigned to the federal government in certain non-repayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Amounts received under the Program are ultimately refundable to the federal government in the event the University no longer participates in the Program, and accordingly, have been reported as an obligation in the *Consolidated Statements of Financial Position* as "U.S. government refundable loan funds." The Program expired in September 2017 and the University is no longer issuing new loans under the Program.

FACULTY AND STAFF MORTGAGES

In a program to attract and retain excellent faculty and senior staff, the University provides home mortgage financing assistance, primarily in the form of subordinated loans. The loans and mortgages are collateralized by deeds of trust on properties concentrated in the region surrounding the University. Notes receivable amounting to $812.8 million and $780.2 million at August 31, 2020 and 2019, respectively, from University faculty and staff are included in "faculty and staff mortgages and other loans receivable, net" in the *Consolidated Statements of Financial Position*. Management has determined that no allowance is necessary.

The August 31, 2020 and 2019 amounts are net of $190.7 million and $167.4 million, respectively, offset against the University's recorded obligation to repurchase certain residential units sold under long-term restricted ground leases. See the *Repurchase Obligations* section of *Note 1*.

6. Investments

Investments are measured and recorded at fair value. The valuation methodology, investment categories, fair value hierarchy, certain investment activities and related commitments for fiscal years 2020 and 2019 are presented below. Investments held by Stanford at August 31, 2020 and 2019, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2020					
Investment assets:					
Cash and short-term investments	$ 1,957,811	$ 62,164	$ 2,913	$ —	$ 2,022,888
Collateral held for securities loaned	454	—	—	—	454
Public equities	8,238,932	417,645	54,810	—	8,711,387
Derivatives	(63,415)	—	—	—	(63,415)
Fixed income	2,427,103	207,265	97,433	—	2,731,801
Real estate	8,559,129	—	7,899	—	8,567,028
Natural resources	1,345,084	—	7,184	—	1,352,268
Private equities	10,811,362	—	26,389	—	10,837,751
Absolute return	5,719,253	—	21,967	—	5,741,220
Assets held by other trustees	126,349	—	16,889	—	143,238
Other	874,321	8,454	1,845	—	884,620
Total	39,996,383	695,528	237,329	—	40,929,240
Hospitals' funds invested in the University's investment pools	(2,421,800)	1,604,319	810,090	7,391	—
INVESTMENTS AT FAIR VALUE	**$37,574,583**	**$ 2,299,847**	**$ 1,047,419**	**$ 7,391**	**$ 40,929,240**
Investment liabilities:					
Income beneficiary share of split interest agreements[1]	$ 610,409	$ —	$ —	$ —	$ 610,409
Net investment income excise tax	84,592	—	—	—	84,592
Securities lending[2]	454	—	—	—	454
Securities sold, not yet purchased	277,949	—	—	—	277,949
Accrued management fees	29,492	—	—	—	29,492
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 1,002,896**	**$ —**	**$ —**	**$ —**	**$ 1,002,896**

[1] *See split-interest agreements section in Note 1*

[2] *Investments at fair value include $445 thousand of securities pledged or on loan.*

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2019					
Investment assets:					
Cash and short-term investments	$ 488,132	$ 468,142	$ 3,477	$ —	$ 959,751
Collateral held for securities loaned	19,922	—	—	—	19,922
Public equities	8,163,632	377,663	51,547	—	8,592,842
Derivatives	17,384	—	—	—	17,384
Fixed income	2,049,289	211,169	98,820	—	2,359,278
Real estate	8,513,314	—	8,911	—	8,522,225
Natural resources	1,789,137	—	8,951	—	1,798,088
Private equities	9,941,833	—	25,144	—	9,966,977
Absolute return	5,565,483	—	19,471	—	5,584,954
Assets held by other trustees	124,736	—	15,275	—	140,011
Other	851,255	6,517	—	—	857,772
Total	37,524,117	1,063,491	231,596	—	38,819,204
Hospitals' funds invested in the University's investment pools	(2,232,489)	1,472,256	752,917	7,316	—
INVESTMENTS AT FAIR VALUE	**$35,291,628**	**$ 2,535,747**	**$ 984,513**	**$ 7,316**	**$ 38,819,204**
Investment liabilities:					
Income beneficiary share of split interest agreements[1]	$ 560,283	$ —	$ —	$ —	$ 560,283
Net investment income excise tax	42,892	—	—	—	42,892
Securities lending[2]	19,922	—	—	—	19,922
Securities sold, not yet purchased	77,185	—	—	—	77,185
Accrued management fees	39,652	—	—	—	39,652
Pending trades of securities	18,227	—	—	—	18,227
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 758,161**	**$ —**	**$ —**	**$ —**	**$ 758,161**

[1] *See split-interest agreements section in Note 1*

[2] *Investments at fair value include $19.3 million of securities pledged or on loan.*

VALUATION METHODOLOGY

To the extent available, Stanford's investments are recorded at fair value based on quoted prices in active markets on a trade-date basis. Stanford's investments that are listed on any U.S. or non-U.S. recognized exchanges are valued based on readily available market quotations. When such inputs do not exist, fair value measurements are based on the best available information and usually require a degree of judgment. For alternative investments, which are principally interests in limited partnerships or similar investments in private equity, real estate, natural resources, public equities and absolute return funds, the value is primarily based on the Net Asset Value (NAV) of the underlying investments. The NAV is reported by external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV reported is adjusted for any investment-related transactions such as capital calls or distributions and significant known valuation changes of its related portfolio through August 31, 2020 and 2019, respectively. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

The University exercises due diligence in assessing the policies, procedures, and controls implemented by its external investment managers and believes its proportionate share of the carrying amount of these alternative investments is a reasonable estimate of fair value. Such due diligence procedures include, but are not limited to, ongoing communication, on-site visits, and review of information from external investment managers as well as review of performance. In conjunction with these procedures, estimated fair value is determined by consideration of a range of factors, such as market conditions, redemption terms and restrictions, and risks inherent in the inputs of the external investment managers' valuations.

For certain alternative investments which are direct investments, Stanford considers various factors to estimate fair value, such as, but not limited to, the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections, as well as discounted cash flow analysis. The selection of an appropriate valuation technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, Stanford may review the investment's underlying portfolio as well as engage external appraisers, depending on the circumstances and the nature of the investment.

The investment portfolio may be exposed to various risks, including, but not limited to, interest rate, market, sovereign, geographic, counterparty, liquidity and credit risk. Stanford management regularly assesses these risks through established policies and procedures. Fair value reporting requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. Actual results could differ from these estimates and such differences could have a material impact on the *Consolidated Financial Statements*.

INVESTMENT CATEGORIES
Investments are categorized by asset class and valued as described below:

Cash and short-term investments include cash, cash equivalents, mutual funds, and fixed income investments with original maturities of less than one year (see also *Note 1*). Cash equivalents such as money market funds and overnight repurchase agreements are carried at cost. Fixed income investments such as short-term U.S. Treasury bills are carried at amortized cost. Due to the short-term nature and liquidity of these financial instruments, the carrying values of these assets approximates fair value. Cash may include collateral provided to or received from counterparties associated with investment-related derivative contracts (see *Note 7*).

Collateral held for securities loaned is generally received in the form of cash and cash equivalents and is reinvested for income in cash equivalent vehicles. These investments are recorded at fair value.

Public equities are investments valued based on quoted market prices (and exchange rates, if applicable) on the last trading date of the principal market on or before August 31. They include investments that are directly held as well as commingled funds which invest in publicly traded equities. The fair values of public equities held through alternative investments are reported by the respective external investment managers using NAV, as a practical expedient, as described under *Valuation Methodology* above.

Derivatives are used by Stanford to manage its exposure to certain risks relating to ongoing business and investment operations. Derivatives may include swaps and forward currency contracts which are reflected at fair value by using quantitative models that utilize multiple market inputs. The market inputs are actively quoted and can be validated through external sources, including market transactions, brokers and third party pricing sources.

Fixed income investments are valued by independent pricing sources, broker dealers or pricing models that factor in, where applicable, recently executed transactions, interest rates, bond or credit default spreads and volatility. They primarily include investments that are actively traded fixed income securities or mutual funds.

Real estate represents directly owned real estate, mutual funds, interests in long-term ground leases and other real estate interests held through limited partnerships. A significant portion of the fair value of real estate directly owned by Stanford and subject to long-term ground leases, including the Stanford Shopping Center and the Stanford Research Park, is based on independent appraisals that use discounted cash flows and market data, if available. The fair value of alternative investments in real estate held through limited partnerships is based on the NAV reported by the external investment managers and is adjusted as described under *Valuation Methodology* above. The fair value of real estate held through commingled and mutual funds are based on quoted market prices.

Natural resources represent commodity and energy related investments held through both public and non-public investments. Public securities are valued based on quoted market prices (and exchange rates, if applicable) on the last trading day of the principal market on or before August 31. The fair value of direct non-public investments are based on a combination of models, including appraisals, discounted cash flows and commodity price factors. The fair value of natural resources held as alternative investments is based on the NAV reported by the external investment managers and is adjusted as described under *Valuation Methodology* above.

Private equities are investments primarily in venture capital and leveraged buyout strategies. Distributions from these investments are received in the form of either cash or distributed shares, which are typically valued using quoted market prices. The fair value of alternative investments is based on the NAV reported by the external investment managers and is adjusted as described under *Valuation Methodology* above.

Absolute return investments are typically commingled funds that employ multiple strategies to produce positive returns which may be uncorrelated to financial market activities. The fair value of these types of alternative investments is valued based on the NAV reported by the external investment managers and is adjusted as described under *Valuation Methodology* above.

Assets held by other trustees generally represent Stanford's residual (or beneficial) interest in split-interest agreements where the University, SHC or LPCH is not the trustee. The residual interest represents the present value of the future distributions expected to be received over the term of the agreement, which approximates fair value, and the assets are based on estimates provided by trustees.

Other investments are typically non-public investments such as preferred stocks, convertible notes and mineral rights. The fair value of these types of direct investments is determined as described under *Valuation Methodology* above.

LIABILITIES ASSOCIATED WITH INVESTMENTS

Income beneficiary share of split interest agreements - See the *Split–Interest Agreements* section of *Note 1*.

Net investment income excise tax - The TCJA was signed into law on December 22, 2017. Under the TCJA, the University is subject to a 1.4% excise tax on its net investment income as defined under the Internal Revenue Code which, among other things, includes net investment income of certain related entities such as the Hospitals. The University has recorded current and deferred tax liabilities based on reasonable estimates.

Securities lending - The University has a collateralized borrowing program in which it receives short-term U.S. government obligations or cash and cash equivalents in exchange for transferring securities as collateral to the counterparty and recognizes an obligation to reacquire the securities for cash at the transaction's maturity. It is the University's policy to require receipt of collateral equal to a minimum of 102% of the fair market value of these collateralized borrowings. In the event the counterparty was to default on its obligations, The University has the right to repurchase the securities in the open market using the collateral received.

Under the securities lending agreement, securities loaned are primarily public equities, corporate bonds or U.S. Treasury bills and the agreement continues until the security is delivered back to the University. The estimated fair value of securities loaned at August 31, 2020 and 2019 was $445 thousand and $19.3 million, respectively. The University received on loan publicly traded equities of $454 thousand and $19.9 million at August 31, 2020 and 2019, respectively.

Securities sold, not yet purchased are obligations to acquire and deliver to the lenders the publicly traded securities identical to the ones borrowed. A realized gain or loss is recognized for the difference between the proceeds and the cost of such securities at that time.

Accrued management fees are obligations related to management and performance fees due quarterly or annually to external investment managers in accordance with agreed-upon terms.

Pending trades of securities are obligations arising from trades of securities purchased but not settled. These are usually settled three business days after the trade date.

FAIR VALUE HIERARCHY

U.S. GAAP defines fair value as the price received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants. Current guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques used under U.S. GAAP must maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 - Investments whose values are based on quoted market prices in active markets for identical assets or liabilities are classified as Level 1. Level 1 investments include active listed equities and certain short term fixed income securities. Such investments are valued based upon the closing price quoted on the last trading date on or before the reporting date on the principal market, without adjustment.

Level 2 - Investments that trade in markets that are not actively traded, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources for similar assets or liabilities are classified as Level 2. These investments include certain U.S. government and sovereign obligations, government agency obligations, investment grade corporate bonds and certain limited marketable securities.

Privately negotiated over-the-counter (OTC) derivatives such as forward currency contracts, total return swaps, and interest rate swaps are typically classified as Level 2 (see *Note 7*). In instances where quotations received from counterparties or valuation models are used, the value of an OTC derivative depends upon the contractual terms of the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, or credit curves.

Level 3 - Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information available and may require significant management judgment. These investments primarily consist of Stanford's direct real estate and alternative investments.

The following tables summarize Stanford's investment assets and liabilities within the fair value hierarchy and asset categories at August 31, 2020 and 2019, in thousands of dollars:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2020				
Investment assets:				
Cash and short-term investments	$ 294,757	$ 1,721,489	$ —	$ 2,016,246
Collateral held for securities loaned	—	454	—	454
Public equities	1,921,948	4,499	—	1,926,447
Derivatives	—	(63,415)	—	(63,415)
Fixed income	540,219	2,191,582	—	2,731,801
Real estate	131,495	—	6,796,817	6,928,312
Natural resources	2,932	—	108,561	111,493
Private equities	28,590	—	539	29,129
Absolute return	912	—	22,293	23,205
Assets held by other trustees	—	—	143,238	143,238
Other	140,825	357	731,284	872,466
INVESTMENTS SUBJECT TO FAIR VALUE LEVELING	**$ 3,061,678**	**$ 3,854,966**	**$ 7,802,732**	**14,719,376**
Investments measured using Net Asset Value[1]				26,209,864
TOTAL CONSOLIDATED INVESTMENT ASSETS				**$ 40,929,240**
Investment liabilities:				
Income beneficiary share of split interest agreements	$ —	$ 610,409	$ —	$ 610,409
Net investment income excise tax	84,592	—	—	84,592
Securities lending	—	454	—	454
Securities sold, not yet purchased	277,949	—	—	277,949
Accrued management fees	29,492	—	—	29,492
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 392,033**	**$ 610,863**	**$ —**	**$ 1,002,896**

[1] *Entities may estimate the fair value of certain investments by using NAV as a practical expedient as of the measurement date. Investments measured under this method are not categorized in the fair value hierarchy. The fair value amounts of such investments are presented for reconciliation purposes.*

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2019				
Investment assets:				
Cash and short-term investments	$ 591,881	$ 361,572	$ —	$ 953,453
Collateral held for securities loaned	—	19,922	—	19,922
Public equities	3,276,709	157	—	3,276,866
Derivatives	—	17,384	—	17,384
Fixed income	495,955	1,863,324	—	2,359,279
Real estate	62,328	—	6,748,672	6,811,000
Natural resources	141,875	—	141,240	283,115
Private equities	1,322	—	1,263	2,585
Absolute return	1,138	—	25,911	27,049
Assets held by other trustees	—	—	140,011	140,011
Other	110,635	57	733,032	843,724
INVESTMENTS SUBJECT TO FAIR VALUE LEVELING	**$ 4,681,843**	**$ 2,262,416**	**$ 7,790,129**	**14,734,388**
Investments measured using Net Asset Value[1]				24,084,816
TOTAL CONSOLIDATED INVESTMENT ASSETS				**$ 38,819,204**
Investment liabilities:				
Income beneficiary share of split interest agreements	$ —	$ 560,283	$ —	$ 560,283
Net investment income excise tax	42,892	—	—	42,892
Securities lending	—	19,922	—	19,922
Securities sold, not yet purchased	77,185	—	—	77,185
Accrued management fees	39,652	—	—	39,652
Pending trades of securities	18,227	—	—	18,227
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 177,956**	**$ 580,205**	**$ —**	**$ 758,161**

[1] Entities may estimate the fair value of certain investments by using NAV as a practical expedient as of the measurement date. Investments measured under this method are not categorized in the fair value hierarchy. The fair value amounts of such investments are presented for reconciliation purposes.

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITIES AND TRANSFERS

The following tables present the activities for Level 3 investments for the years ended August 31, 2020 and 2019, in thousands of dollars:

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BEGINNING BALANCE AS OF SEPTEMBER 1, 2019	PURCHASES AND ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS (LOSSES)	TRANSFERS IN*	TRANSFERS OUT*	ENDING BALANCE AS OF AUGUST 31, 2020
Real estate	$ 6,748,672	$ 76,462	$ (14,443)	$ (13,874)	$ —	$ —	$ 6,796,817
Natural resources	141,240	594	(2,394)	(30,879)	—	—	108,561
Private equities	1,263	—	(206)	(518)	—	—	539
Absolute return	25,911	—	—	(3,618)	—	—	22,293
Assets held by other trustees	140,011	1,535	(1,613)	3,473	—	(168)	143,238
Other	733,032	54,084	(32,836)	(10,707)	—	(12,289)	731,284
TOTAL	**$ 7,790,129**	**$ 132,675**	**$ (51,492)**	**$ (56,123)**	**$ —**	**$ (12,457)**	**$ 7,802,732**

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BEGINNING BALANCE AS OF SEPTEMBER 1, 2018	PURCHASES AND ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS (LOSSES)	TRANSFERS IN*	TRANSFERS OUT*	ENDING BALANCE AS OF AUGUST 31, 2019
Real estate	$ 5,792,978	$ 53,953	$ (15,197)	$ 916,938	$ —	$ —	$ 6,748,672
Natural resources	210,270	2,346	(16,111)	(55,265)	—	—	141,240
Private equities	20,188	—	(28,181)	9,256	—	—	1,263
Absolute return	27,378	—	—	(1,467)	—	—	25,911
Assets held by other trustees	139,470	1,389	(3,120)	2,272	—	—	140,011
Other	627,989	95,556	(61,113)	71,111	—	(511)	733,032
TOTAL	**$ 6,818,273**	**$ 153,244**	**$ (123,722)**	**$ 942,845**	**$ —**	**$ (511)**	**$ 7,790,129**

**Transfers in (out) are primarily due to reclassification of investments between asset classes and changes in the fair value hierarchy.*

Net realized and unrealized gains (losses) in the tables above are included in the *Consolidated Statements of Activities* primarily as increases or decreases in reinvested gains by level of restriction. For the years ended August 31, 2020 and 2019, the change in unrealized gains (losses) for Level 3 investments still held at August 31, 2020 and 2019 was $1.2 million and $936.9 million, respectively.

LEVEL 3 INVESTMENT VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table summarizes the significant unobservable inputs and valuation methodologies for Level 3 investments as of August 31, 2020 and 2019, in thousands of dollars.

For each investment category and respective valuation technique, the range of the significant unobservable input is dependent on the nature and characteristics of the investment and may vary at each balance sheet date.

INVESTMENT CATEGORIES	FAIR VALUE[1]	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE MIN	RANGE MAX	IMPACT TO VALUATION FROM AN INCREASE IN INPUT[2]
2020						
Real estate	$ 6,003,980	Discounted cash flow	Discount rate	4.0 %	20.0 %	Decrease
			Capitalization rate	5.5 %	9.0 %	Decrease
Assets held by other trustees	126,349	Net present value	Discount rate	0.4 %	0.4 %	Decrease
Other	678,484	Market comparables	Recent transactions	N/A	N/A	N/A
TOTAL AMOUNT WITH SIGNIFICANT UNOBSERVABLE INPUTS	**$ 6,808,813**					
2019						
Real estate	$ 6,045,530	Discounted cash flow	Discount rate	5.0 %	20.0 %	Decrease
			Capitalization rate	3.9 %	9.0 %	Decrease
Assets held by other trustees	124,736	Net present value	Discount rate	2.2 %	2.2 %	Decrease
Other	687,854	Market comparables	Recent transactions	N/A	N/A	N/A
TOTAL AMOUNT WITH SIGNIFICANT UNOBSERVABLE INPUTS	**$ 6,858,120**					

[1] $968.4 million and $932.0 million of Level 3 investments at August 31, 2020 and 2019, respectively, are valued using third-party valuations, other market comparables or recent transactions as an approximation of fair value.

[2] Unless otherwise noted, this column represents the directional change in the fair value of the Level 3 investments that would have resulted from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these unobservable inputs in isolation would result in significantly higher or lower fair value measurements.

INVESTMENT-RELATED COMMITMENTS

The University is obligated under certain alternative investment agreements to advance additional funding up to specified levels over a period of several years. The following table presents significant terms of such agreements including redemption terms, notice periods, and remaining life for all related alternative investments at August 31, 2020, in thousands of dollars:

ASSET CLASS	FAIR VALUE	UNFUNDED COMMITMENT	REMAINING LIFE (YEARS)	REDEMPTION TERMS
Public equities	$ 6,741,959	$ 80,346	0 to 5	Generally, lock-up provisions ranging from 0 to 3 years. After initial lock up expires, redemptions are available on a rolling basis and require 30 to 90 days prior notification.
Real estate	1,668,629	1,360,351	0 to 9	Not eligible for redemption
Natural resources	1,322,001	610,568	0 to 9	Not eligible for redemption
Private equities	10,782,719	4,138,734	0 to 20	Not eligible for redemption
Absolute return	5,719,253	737,820	0 to 3	Generally, lock-up provisions ranging from 0 to 3 years. After initial lock up expires, redemptions are available on a rolling basis and require 30 to 90 days prior notification.
TOTAL	**$ 26,234,561**	**$ 6,927,819**		

OFFSETS TO INVESTMENT-RELATED ASSETS AND LIABILITIES

Financial instruments with off-balance sheet risk such as derivatives, securities lending agreements, securities sold, not yet purchased and repurchase agreements are subject to counterparty credit risk. The University seeks to control this risk in various ways, such as entering into transactions with counterparties with high creditworthiness, establishing and monitoring credit limits, and requiring collateral in certain situations.

The University generally maintains master netting agreements and collateral agreements with its counterparties. These agreements provide the University the right to net a counterparty's rights and obligations under the agreement and to liquidate and offset collateral against any net amount owed by the counterparty, in the event of default by the counterparty, such as bankruptcy or a failure to pay or perform. For certain derivatives, a master netting arrangement allows the counterparty to net any of its applicable liabilities or payment obligations to the University against any collateral previously provided or received (see *Note 7*).

The University may enter into repurchase and reverse repurchase agreements to sell or purchase securities to or from the counterparty with an agreement to repurchase or sell the same securities from or to the counterparty at a predetermined price.

The following table presents information about the gross amounts of assets and liabilities, the offset of these instruments and the related collateral amounts as of August 31, 2020 and 2019, in thousands of dollars:

	GROSS AMOUNTS OF ASSETS AND LIABILITIES	OFFSET AMOUNTS	NET AMOUNTS	COLLATERAL RECEIVED (PLEDGED)[2]	NET EXPOSURE
2020					
Assets:					
Derivatives[1]	$ 2,925	$ (66,340)	$ (63,415)	$ (63,415)	$ —
Repurchase agreements[3]	585,945	—	585,945	585,945	—
TOTAL	**588,870**	**(66,340)**	**522,530**	**522,530**	**—**
Liabilities:					
Derivatives[1]	66,340	(66,340)	—	—	—
Securities sold, not yet purchased	277,949	—	277,949	(277,949)	—
Securities lending	454	—	454	(454)	—
TOTAL	**$ 344,743**	**$ (66,340)**	**$ 278,403**	**$ (278,403)**	**$ —**
2019					
Assets:					
Derivatives[1]	$ 18,059	$ (675)	$ 17,384	$ 17,384	$ —
Repurchase agreements[3]	242,618	—	242,618	242,618	—
TOTAL	**260,677**	**(675)**	**260,002**	**260,002**	**—**
Liabilities:					
Derivatives[1]	675	(675)	—	—	—
Securities sold, not yet purchased	77,185	—	77,185	(77,185)	—
Securities lending	19,922	—	19,922	(19,922)	—
TOTAL	**$ 97,782**	**$ (675)**	**$ 97,107**	**$ (97,107)**	**$ —**

[1] Gross derivative assets less gross derivative liabilities are presented as "derivatives" in the investment assets table.

[2] These collateral amounts received (pledged) are limited to the asset balance and accordingly, do not include any excess collateral received.

[3] Repurchase agreements are included in "Cash and short-term investments" in the investment assets table.

INVESTMENT RETURNS

Total investment returns for the years ended August 31, 2020 and 2019, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020				
Investment income	$ 265,902	$ 65,873	$ 3,244	$ 335,019
Net realized and unrealized gains	2,442,886	163,510	98,974	2,705,370
TOTAL INVESTMENT RETURNS, NET	**$ 2,708,788**	**$ 229,383**	**$ 102,218**	**$ 3,040,389**
Reconciliation to *Statements of Activities:*				
Total investment income distributed for operations	$ 1,642,193	$ 1,533	$ 17,390	$ 1,661,116
Increase in reinvested gains:				
Without donor restrictions	516,024	224,036	52,070	792,130
With donor restrictions	484,730	3,814	30,879	519,423
Change in value of split-interest agreements, net	14,414	—	1,879	16,293
Adjustments for actuarial re-evaluations and maturities of split-interest agreements	51,427	—	—	51,427
TOTAL INVESTMENT RETURNS, NET	**$ 2,708,788**	**$ 229,383**	**$ 102,218**	**$ 3,040,389**
2019				
Investment income	$ 280,892	$ 53,440	$ 5,182	$ 339,514
Net realized and unrealized gains	2,446,169	102,680	62,486	2,611,335
TOTAL INVESTMENT RETURNS, NET	**$ 2,727,061**	**$ 156,120**	**$ 67,668**	**$ 2,950,849**
Reconciliation to *Statements of Activities:*				
Total investment income distributed for operations	$ 1,564,700	$ 2,337	$ 15,774	$ 1,582,811
Increase in reinvested gains:				
Without donor restrictions	1,040,312	150,792	31,169	1,222,273
With donor restrictions	90,562	2,991	20,700	114,253
Change in value of split-interest agreements, net	3,802	—	25	3,827
Adjustments for actuarial re-evaluations and maturities of split-interest agreements	27,685	—	—	27,685
TOTAL INVESTMENT RETURNS, NET	**$ 2,727,061**	**$ 156,120**	**$ 67,668**	**$ 2,950,849**

Investment returns are net of investment management expenses, including both external management fees and internal University investment-related salaries, benefits and operating expenses, and the portion of interest expense and amortization related to the April 2009 bond issuance held for liquidity purposes (see *Note 9*).

FUTURE MINIMUM RENTAL INCOME

As part of its investment portfolio, Stanford holds certain investment properties that it leases to third parties. Future minimum rental income due from the Stanford Shopping Center, the Stanford Research Park and other properties under non-cancellable leases in effect with tenants at August 31, 2020, in thousands of dollars, is as follows:

	FUTURE MINIMUM RENTAL INCOME			
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2021	$ 145,193	$ 7,219	$ 1,275	$ 153,687
2022	146,305	5,229	1,231	152,765
2023	143,532	2,485	592	146,609
2024	125,581	1,706	284	127,571
2025	119,284	590	24	119,898
Thereafter	2,396,787	9,004	—	2,405,791
TOTAL	**$ 3,076,682**	**$ 26,233**	**$ 3,406**	**$ 3,106,321**

7. Derivatives

Stanford, directly or through external investment managers on Stanford's behalf, utilizes various strategies to reduce investment and credit risks, to serve as a temporary surrogate for investment in stocks and bonds, to manage interest rate exposure on debt, and/or to manage specific exposure to foreign currencies. Futures, options and other derivative instruments are used to adjust elements of investment exposures to various securities, sectors, markets and currencies without actually taking a position in the underlying asset or basket of assets. Interest rate swaps are used to manage interest rate risk. With respect to foreign currencies, Stanford utilizes forward contracts and foreign currency options to manage exchange rate risk.

INVESTMENT-RELATED DERIVATIVES

The following table presents amounts for investment-related derivatives, including the notional amount, the fair values at August 31, 2020 and 2019, and gains and losses for the years ended August 31, 2020 and 2019, in thousands of dollars:

	NOTIONAL AMOUNT[1]	GROSS DERIVATIVE ASSETS[2]	GROSS DERIVATIVE LIABILITIES[2]	REALIZED AND UNREALIZED LOSSES[3]
2020	AS OF AUGUST 31			YEAR ENDED AUGUST 31
Foreign exchange contracts	$ 11,432	$ 405	$ 13	$ (2,283)
Equity contracts[4]	635,463	2,520	66,327	(58,065)
TOTAL	**$ 646,895**	**$ 2,925**	**$ 66,340**	**$ (60,348)**
2019				
Foreign exchange contracts	$ 26,504	$ —	$ 675	$ (1,473)
Equity contracts[4]	439,942	18,059	—	(67,006)
TOTAL	**$ 466,446**	**$ 18,059**	**$ 675**	**$ (68,479)**

[1] *The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2020 and 2019.*

[2] *Gross derivative assets less gross derivative liabilities of $(63.4) million and $17.4 million as of August 31, 2020 and 2019, respectively, are presented as "derivatives" on the investment table in Note 6.*

[3] *Losses on derivatives are included in the Statements of Activities line "increase in reinvested gains" in "non-operating activities."*

[4] *Included in equity contracts are fair value hedging derivatives with a fair value of $(59.2) million and $11.8 million as of August 31, 2020 and 2019, respectively. The realized and unrealized losses related to these equity contracts were $85.0 million and $71.3 million for the years ended August 31, 2020 and 2019, respectively.*

DEBT-RELATED DERIVATIVES

The University and SHC use interest rate exchange agreements to manage the interest rate exposure of their debt portfolios. Under the terms of the current agreements, the entities pay a fixed interest rate, determined at inception, and receive a variable rate on the underlying notional principal amount. Generally, the exchange agreements require mutual posting of collateral by the University and SHC and the counterparties if the termination values exceed a predetermined threshold dollar amount.

At August 31, 2020, the University had interest rate exchange agreements related to $97.0 million of the outstanding balance of the CEFA Series S bonds in variable rate mode (see *Note 9*). The agreements, which have a weighted average interest rate of 3.68%, expire November 1, 2039. The notional amount and the fair value of the exchange agreements are included in the table below. Collateral posted with various counterparties was $36.5 million and $28.6 million at August 31, 2020 and 2019, respectively, and is included in the *Consolidated Statements of Financial Position*. In addition, the University issued an irrevocable standby letter of credit of $15.0 million to support collateral requirements at August 31, 2020 and 2019 (see *Note 9*).

At August 31, 2020, SHC had interest rate exchange agreements expiring through November 2051 (see *Note 9*). The agreements require SHC to pay fixed interest rates to the counterparties varying from 3.37% to 4.08% in exchange for variable rate payments from the counterparties based on a percentage of the One Month London Interbank Offered Rate (LIBOR). The notional amount and the fair value of the exchange agreements are included in the table below. There was cash collateral required to be posted with counterparties at August 31, 2020 and 2019 of $52.3 million and $31.6 million, respectively.

The following table presents amounts for debt-related derivatives including the notional amount, the fair values at August 31, 2020 and 2019, and gains and losses for the years ended August 31, 2020 and 2019, in thousands of dollars:

	AS OF AUGUST 31, 2020		YEAR ENDED AUGUST 31, 2020	AS OF AUGUST 31, 2019		YEAR ENDED AUGUST 31, 2019
	NOTIONAL AMOUNT[1]	GROSS DERIVATIVE LIABILITIES[2]	UNREALIZED LOSSES[3]	NOTIONAL AMOUNT[1]	GROSS DERIVATIVE LIABILITIES[2]	UNREALIZED LOSSES[3]
Debt-related interest-rate contracts:						
University	$ 97,000	$ 53,815	$ (5,521)	$ 97,000	$ 48,294	$ (20,580)
SHC	574,700	353,292	(36,496)	574,925	316,796	(134,269)
TOTAL	**$ 671,700**	**$ 407,107**	**$ (42,017)**	**$ 671,925**	**$ 365,090**	**$ (154,849)**

[1] The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2020 and 2019.

[2] Fair value is measured using Level 2 inputs as defined in Note 6. Amounts are included in the Statements of Financial Position in "accounts payable and accrued expenses" and discussed more fully in Note 9.

[3] Gains (losses) on derivatives are included in the Statements of Activities as "swap interest and change in value of swap agreements" in "non-operating activities".

8. Plant Facilities

Plant facilities, net of accumulated depreciation, at August 31, 2020 and 2019, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020				
Land and improvements	$ 678,817	$ 76,495	$ 120,605	$ 875,917
Buildings and building improvements	9,135,323	3,799,636	1,924,900	14,859,859
Furniture, fixtures and equipment	2,056,812	1,546,599	469,868	4,073,279
Utilities	939,849	—	—	939,849
Construction in progress	476,690	293,180	27,558	797,428
	13,287,491	5,715,910	2,542,931	21,546,332
Less accumulated depreciation	(5,601,781)	(2,069,898)	(702,033)	(8,373,712)
PLANT FACILITIES, NET OF ACCUMULATED DEPRECIATION	**$ 7,685,710**	**$ 3,646,012**	**$ 1,840,898**	**$ 13,172,620**
2019				
Land and improvements	$ 606,454	$ 68,844	$ 120,833	$ 796,131
Buildings and building improvements	7,427,617	1,773,365	1,792,861	10,993,843
Furniture, fixtures and equipment	1,986,883	1,246,431	494,123	3,727,437
Utilities	888,798	—	—	888,798
Construction in progress	1,567,663	2,426,480	152,991	4,147,134
	12,477,415	5,515,120	2,560,808	20,553,343
Less accumulated depreciation	(5,207,133)	(1,824,105)	(658,618)	(7,689,856)
PLANT FACILITIES, NET OF ACCUMULATED DEPRECIATION	**$ 7,270,282**	**$ 3,691,015**	**$ 1,902,190**	**$ 12,863,487**

At August 31, 2020, $2.4 billion, $1.3 billion, and $232.5 million of fully depreciated plant facilities were still in use by the University, SHC, and LPCH, respectively, and are included in plant facilities and accumulated depreciation in the above table.

9. Notes and Bonds Payable

Notes and bonds payable for the University, SHC, and LPCH at August 31, 2020 and 2019, in thousands of dollars, are presented in the table below. The University is not an obligor or guarantor with respect to any obligations of SHC or LPCH, nor are SHC or LPCH obligors or guarantors with respect to obligations of the University or each other.

	YEAR OF MATURITY	EFFECTIVE INTEREST RATE * 2020/2019	OUTSTANDING PRINCIPAL 2020	2019
UNIVERSITY:				
Tax-exempt:				
CEFA Fixed Rate Revenue Bonds:				
Series S	2040	3.18%	$ 30,210	$ 30,210
Series T	2023-2039	3.66%-4.30%	188,900	188,900
Series U	2021-2046	1.75%-4.25%	1,167,205	1,167,205
Series V	2029-2049	1.83%-3.12%	441,830	441,830
CEFA Variable Rate Revenue Bonds and Notes:				
Series L	2023	0.07%/1.17%	36,208	36,208
Series S	2040-2051	0.47%-0.9%/1.32%-1.65%	141,200	141,200
Commercial Paper	2021	0.11%-0.21%	50,000	—
Taxable:				
Fixed Rate Notes and Bonds:				
Stanford University Bonds	2024	6.88%	150,000	150,000
Medium Term Note	2026	7.65%	50,000	50,000
Stanford University Series 2012	2042	4.01%	143,235	143,235
Stanford University Series 2013	2044	3.56%	150,115	150,115
Stanford University Series 2014	2054	4.25%	150,000	150,000
Stanford University Series 2015	2047	3.46%	250,000	250,000
Stanford University Series 2017	2048	3.65%	750,000	750,000
Stanford University Series 2019	2029	3.09%	121,000	121,000
Stanford University Series 2020	2027-2050	1.29%-2.41%	750,000	—
Other	2020-2031	Various	3,480	3,481
Revolving Credit Facilities	2021	0.43%/2.44%	35,320	55,570
University notes and bonds payable			4,608,703	3,828,954
Unamortized issuance costs, premiums, and discounts, net			394,849	418,381
UNIVERSITY TOTAL			**$ 5,003,552**	**$ 4,247,335**
SHC:				
CHFFA Fixed Rate Revenue Bonds:				
2008 Series A-1	2021	3.84%/3.83%	$ 675	$ 900
2008 Series A-2	2021-2022	3.76%/3.70%	1,450	1,775
2008 Series A-3	2021-2022	3.76%/3.69%	1,175	1,450
2010 Series A	2021	3.84%/3.82%	6,760	13,195
2012 Series A	2028-2051	3.98%	340,000	340,000
2012 Series B	2021-2023	2.48%/2.42%	21,795	28,770
2015 Series A	2052-2054	4.10%	100,000	100,000
2017 Series A	2022-2041	2.84%/2.82%	454,200	454,200
2020 Series A	2050	2.70%	170,120	—
2018 Series Taxable Bonds	2049	3.80%	500,000	500,000
2020 Series Taxable Bonds	2030	3.31%	300,000	—
CHFFA Variable Rate Revenue Bonds:				
2008 Series B	2042-2046	0.19%/1.16%	168,200	168,200
2012 Series C	2020	1.60%	—	60,000
2012 Series D	2021	0.67%/1.89%	100,000	100,000
2015 Series B	2024	0.65%/2.04%	75,000	75,000
SHC notes and bonds payable			2,239,375	1,843,490
Unamortized issuance costs, premiums, and discounts, net			101,533	91,924
SHC TOTAL			**$ 2,340,908**	**$ 1,935,414**
LPCH:				
CHFFA Fixed Rate Revenue Bonds:				
2012 Series A	2044-2051	4.32%	$ 200,000	$ 200,000
2012 Series B	2013-2027	2.91%/2.85%	31,765	34,615
2014 Series A	2025-2043	3.84%	100,000	100,000
2016 Series A	2016-2033	2.36%/2.30%	60,630	63,915
2016 Series B	2052-2055	3.34%	100,000	100,000
2017 Series A	2018-2056	3.06%/3.04%	195,815	197,925
CHFFA Variable Rate Revenue Bonds:				
2014 Series B	2034-2043	0.50%/1.89%	100,000	100,000
Revolving Credit Facilities	2022	0.56%/2.57%	30,000	30,000
LPCH notes and bonds payable			818,210	826,455
Unamortized issuance costs, premiums, and discounts, net			63,001	65,640
LPCH TOTAL			**$ 881,211**	**$ 892,095**
CONSOLIDATED TOTAL			**$ 8,225,671**	**$ 7,074,844**

**Exclusive of interest rate exchange agreements (see Note 7).*

The University borrows at tax-exempt rates through the California Educational Facilities Authority (CEFA), a conduit issuer. CEFA debt is a general unsecured obligation of the University. Although CEFA is the issuer, the University is responsible for the repayment of the tax-exempt debt. SHC and LPCH borrow at tax-exempt rates through the California Health Facilities Financing Authority (CHFFA). CHFFA debt is a general obligation of each of the hospitals. Payments of principal and interest on SHC's and LPCH's bonds are collateralized by a pledge of their respective revenues. Although CHFFA is the issuer, each hospital is responsible for the repayment of its respective tax-exempt debt.

The University's long-term ratings of AAA/Aaa/AAA were affirmed in May 2020 by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, respectively. In March 2020, SHC's long-term ratings were affirmed by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings at AA-/Aa3/AA, respectively. LPCH's long-term ratings of A+/A1/AA- were affirmed by S&P Global Ratings and Moody's Investors Service in November 2019 and by Fitch Ratings in October 2020, respectively.

SHC and LPCH are each party to separate master trust indentures that include, among other requirements, limitations on the incurrence of additional indebtedness, liens on property, restrictions on disposition or transfer of assets and compliance with certain financial ratios. Subject to applicable no-call provisions, SHC and LPCH may cause the redemption of the bonds, in whole or in part, prior to the stated maturities.

UNIVERSITY

Debt issuances and repayment activity

In June 2020, the University issued taxable fixed rate bonds (Series 2020 A) in the amount of $750.0 million. The series was comprised of $300.0 million maturing on June 1, 2027 and $450.0 million maturing on June 1, 2050 and bear interest yields of 1.23% and 2.41%, respectively. Proceeds from the taxable Series 2020 A are to be used for general University purposes.

In April 2019, CEFA Series V-1 bonds were issued in the amount of $441.8 million plus an original issue premium of $158.2 million. The bonds bear interest at a coupon rate of 5.00%, with $41.8 million maturing on May 1, 2029 and $400 million maturing on May 1, 2049, and have yields of 1.83% and 3.12%, respectively. Proceeds are being used to finance or refinance capital projects of the University.

In March 2019, the University issued taxable fixed rate bonds (Series 2019) in the amount of $121.0 million. The bonds bear interest yield of 3.09% and mature on May 1, 2029. Proceeds may be used for general corporate purposes, but primarily are for financing and refinancing capital projects.

In November 2018, the University called and prepaid $137.8 million of the taxable Series 2009A bonds due in May 2019. The Series 2009A bonds totaling $1.0 billion issued for liquidity purposes in the wake of the 2009 financial crisis, are now fully paid down.

The University has two unsecured revolving credit facilities with a $250.0 million and $175.0 million capacity, respectively. Funds drawn on the revolving credit facilities bear interest at a floating rate equal to the applicable LIBOR rate plus a specified margin. The amount outstanding on these credit facilities was $35.3 million and $55.6 million at August 31, 2020 and 2019, respectively.

The University's taxable and tax-exempt commercial paper authorized borrowing capacity was $500.0 million and $300.0 million, respectively, at both August 31, 2020 and 2019. Tax-exempt commercial paper of $50.0 million and $0 was outstanding at August 31, 2020 and 2019, respectively.

Variable rate debt subject to remarketing or tender

The University had $177.4 million of revenue bonds in variable rate mode outstanding at August 31, 2020. CEFA Series L bonds bear interest at a weekly rate and CEFA Series S bonds bear interest at a commercial paper municipal rate for various interest periods of 270 days or less. In the event the University receives notice of any optional tender of these bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will have a current obligation to purchase the bonds tendered. The University has identified several sources of funding including cash, money market funds, U.S. Treasury securities and agencies' discount notes to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

Letters of credit

In December 2010, the University entered into a credit agreement and established a letter of credit facility under which the bank agreed to issue standby letters of credit in a principal amount not to exceed $50.0 million. In June 2018, the facility was raised to $75.0 million and in June 2020, the University decreased the facility to $65.0 million. At August 31, 2020, irrevocable standby letters of credit of $52.2 million were outstanding in the following amounts and for the following respective purposes: (1) $15.0 million to support collateral requirements under certain interest rate exchange agreements discussed in *Note 7*; (2) $32.7 million to serve as security for workers' compensation deductible insurance arrangements; and (3) $4.5 million for other purposes. No amounts have been drawn on these letters of credit at August 31, 2020.

SHC

Debt issuances and repayment activity

In May 2020, at SHC's request and subsequent to the end of the original index floating rate period, US Bank extended its ownership of the $100.0 million 2012 Series D Bonds at a new index floating rate period.

In May 2020, SHC extended its $200.0 million revolving line of credit facility until May 2021. In November 2020, SHC extended its revolving line of credit facility to November 2021 and reduced its size to $150.0 million. Drawdowns from the revolving credit facility bear interest at a floating rate equal to the applicable LIBOR plus a specified spread. No amounts were outstanding as of August 31, 2020 or August 31, 2019.

In April 2020, CHFFA, on behalf of SHC, issued fixed rate revenue bonds (2020 Series A) in the aggregate principal amount of $170.1 million plus an original issue premium of $19.9 million. Proceeds of the 2020 Series A Bonds were used to finance certain costs of the New Stanford Hospital project and refund the 2012 Series C variable rate revenue bonds.

In April 2020, SHC issued 2020 taxable fixed rate bonds in the amount of $300.0 million. The bonds bear interest at a coupon rate of 3.31% and mature on August 15, 2030. Proceeds are available for general corporate purposes.

Variable rate debt subject to remarketing or tender

At August 31, 2020, SHC had $343.2 million of revenue bonds in variable rate mode outstanding. The 2008 Series B-1 bonds bear interest at a weekly rate, and bondholders have the option to tender their bonds on a weekly basis. The 2008 Series B-2 bonds bear interest at the commercial paper rate for each commercial paper period of 270 days or less. Bondholders in commercial paper mode have the option to tender their bonds only at the end of the commercial paper rate period.

The 2012 Series D and 2015 Series B bonds are also in a floating index mode with monthly interest rate resets. The 2012 Series D and 2015 Series B bonds are not subject to remarketing or tender until May 13, 2021 and June 28, 2024, respectively.

In the event SHC receives notice of any optional tender of the 2008 Series B-1 bonds or if any bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, SHC will have a current obligation to purchase any remaining bonds. SHC maintains sufficient liquidity to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

Letters of credit

At August 31, 2020, SHC had irrevocable standby letters of credit in the aggregate amount of $22.6 million posted with certain beneficiaries in the following amounts and for the following respective purposes: (i) $20.4 million to serve as security for the workers' compensation self-insurance arrangement and (ii) $2.2 million to serve as security deposits for certain construction projects being undertaken by SHC. No amounts have been drawn on these letters of credit at August 31, 2020 and 2019.

LPCH

Debt activity

LPCH has a $200.0 million revolving credit facility with Bank of America which was set to expire in May 2020. Subsequent to year-end, the revolving credit agreement was extended through November 2022. There was $30.0 million drawn on the line of credit as of both August 31, 2020 and 2019.

Letters of credit

At August 31, 2020, LPCH had irrevocable standby letters of credit in the aggregate amount of $8.7 million posted with certain beneficiaries in the following amounts and for the following respective purposes: (i) $7.3 million to serve as security for the workers' compensation self-insurance arrangement, and (ii) $1.4 million to serve as security deposits for construction, operation and maintenance of certain utility facilities. No amounts have been drawn on these letters of credit at August 31, 2020 and 2019.

INTEREST

Stanford's interest expense, which includes settlements under the interest rate exchange agreements, amortized bond issuance costs and amortized bond premium or discount is recorded in "other operating expenses". Interest expense for the years ended August 31, 2020 and 2019 , in thousands of dollars, is as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020				
Interest expense, gross	$ 148,563	$ 69,255	$ 33,394	$ 251,212
Less:				
Interest income earned on unspent proceeds	(2,031)	—	—	(2,031)
Interest capitalized as a cost of construction	(24,190)	(4,710)	—	(28,900)
Interest expense which is classified as an investment expense	(5,916)	—	—	(5,916)
INTEREST EXPENSE, NET	**$ 116,426**	**$ 64,545**	**$ 33,394**	**$ 214,365**
2019				
Interest expense, gross	$ 140,231	$ 67,921	$ 34,083	$ 242,235
Less:				
Interest income earned on unspent proceeds	(6,956)	—	—	(6,956)
Interest capitalized as a cost of construction	(28,864)	(28,861)	—	(57,725)
Interest expense which is classified as an investment expense	(8,474)	—	—	(8,474)
INTEREST EXPENSE, NET	**$ 95,937**	**$ 39,060**	**$ 34,083**	**$ 169,080**

The University and SHC use interest rate exchange agreements to manage the interest rate exposure of their debt portfolios. University net payments on interest rate exchange agreements were $2.8 million and $2.0 million for the years ended August 31, 2020 and 2019, respectively. SHC net payments on interest rate exchange agreements were $16.8 million and $12.6 million for the years ended August 31, 2020 and 2019, respectively.

PRINCIPAL PAYMENTS

At August 31, 2020, scheduled principal payments on notes, bonds and capital lease obligations, in thousands of dollars, are as follows:

	PRINCIPAL PAYMENTS			
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2021 Commercial paper	$ 50,000	$ —	$ —	$ 50,000
2021 Variable debt subject to remarketing	177,408	168,200	—	345,608
2021 Other	162,435	116,045	38,635	317,115
2022	—	15,505	9,045	24,550
2023	51,765	17,065	9,490	78,320
2024	150,000	88,475	9,980	248,455
2025	—	17,615	10,405	28,020
Thereafter	4,017,095	1,816,470	740,655	6,574,220
TOTAL	**$4,608,703**	**$2,239,375**	**$ 818,210**	**$ 7,666,288**

10. Net Assets

Net assets without donor restrictions include Board-designated funds functioning as endowment *(see Note 11)*, net investment in plant facilities and other operating funds.

Net assets with donor restrictions consist primarily of endowment gifts that are limited for long-term investment, and accumulated appreciation that may be appropriated for expenditure by the University (see *Note 11*). Net assets with donor restrictions also include gifts and pledges that are subject to donor-imposed restrictions that expire with the passage of time, payment of pledges, and/or actions of the University, and other funds including Stanford's net equity in split-interest agreements and student loans.

Net assets at August 31, 2020 and 2019, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2020					
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Board designated endowment - Funds functioning as endowment	$ 13,707,220	$ —	$ —	$ —	$ 13,707,220
Net investment in plant facilities and other plant funds	4,635,526	2,090,908	989,687	—	7,716,121
Operating funds	4,342,548	2,102,997	1,139,048	(101,159)	7,483,434
Total net assets without donor restrictions	22,685,294	4,193,905	2,128,735	(101,159)	28,906,775
NET ASSETS WITH DONOR RESTRICTIONS					
Subject to expenditure for specified purpose:					
Gifts with undecided purpose restrictions	522,996	—	—	—	522,996
Plant facilities	69,902	5,364	45,197	—	120,463
Total	592,898	5,364	45,197	—	643,459
Subject to passage of time:					
Pledges receivable	677,316	47,396	54,949	—	779,661
Other funds	280,489	49,534	38,501	—	368,524
Total	957,805	96,930	93,450	—	1,148,185
Subject to University's spending policy:					
Accumulated appreciation	7,674,107	16,616	121,883	—	7,812,606
Subject to restrictions in perpetuity:					
Endowment funds	7,435,236	14,633	248,855	—	7,698,724
Pledges receivable	692,101	—	3,068	—	695,169
Other funds	267,941	—	—	—	267,941
Total	8,395,278	14,633	251,923	—	8,661,834
Total net assets with donor restrictions	17,620,088	133,543	512,453	—	18,266,084
TOTAL NET ASSETS	**$40,305,382**	**$4,327,448**	**$2,641,188**	**$ (101,159)**	**$ 47,172,859**

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2019					
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Board designated endowment - Funds functioning as endowment	$ 13,240,533	$ —	$ —	$ —	$ 13,240,533
Net investment in plant facilities and other plant funds	4,349,360	2,244,135	1,040,095	—	7,633,590
Operating funds	4,063,162	1,301,740	906,978	(80,312)	6,191,568
Total net assets without donor restrictions	21,653,055	3,545,875	1,947,073	(80,312)	27,065,691
NET ASSETS WITH DONOR RESTRICTIONS					
Subject to expenditure for specified purpose:					
Gifts with undecided purpose restrictions	472,781	—	—	—	472,781
Plant facilities	192,813	543,577	136,269	—	872,659
Total	665,594	543,577	136,269	—	1,345,440
Subject to passage of time:					
Pledges receivable	598,899	62,396	77,593	—	738,888
Other funds	257,229	46,447	38,505	—	342,181
Total	856,128	108,843	116,098	—	1,081,069
Subject to University's spending policy:					
Accumulated appreciation	7,286,048	14,922	112,042	—	7,413,012
Subject to restrictions in perpetuity:					
Endowment funds	7,058,573	9,431	234,361	—	7,302,365
Pledges receivable	722,758	—	148	—	722,906
Other funds	258,483	—	—	—	258,483
Total	8,039,814	9,431	234,509	—	8,283,754
Total net assets with donor restrictions	16,847,584	676,773	598,918	—	18,123,275
TOTAL NET ASSETS	**$38,500,639**	**$4,222,648**	**$2,545,991**	**$ (80,312)**	**$ 45,188,966**

11. Endowments

The University classifies a substantial portion of its financial resources as endowment, which is invested to generate income to support operating and strategic initiatives. The endowment, which includes endowed lands, is comprised of pure endowment funds, term endowment funds, and funds functioning as endowment (FFE). Depending on the nature of the donor's stipulation, these resources are recorded as net assets with donor restrictions or net assets without donor restrictions. Term endowments are similar to other endowment funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Accordingly, term endowments are classified as net assets with donor restrictions until expiration of the term. FFE are University resources designated by the Board as endowment and are invested for long-term appreciation and current income. These assets, however, remain available and may be spent at the Board's discretion. Accordingly, FFE are recorded as net assets without donor restrictions.

Stanford classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment with donor restrictions and (b) accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining accumulation to the endowment funds that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument, is classified as net assets with donor restrictions until those amounts are authorized for expenditure. The aggregate amount by which fair value was below historic value was $2.8 million and $487.4 thousand at August 31, 2020 and 2019, respectively.

Endowment funds by net asset classification at August 31, 2020 and 2019, in thousands of dollars, are as follows:

	2020	2019
University endowment		
Endowment funds without donor restrictions:		
Funds functioning as endowment	$ 13,707,220	$ 13,240,533
Endowment funds with donor restrictions:		
Original donor-restricted gift amount and gains maintained in perpetuity	7,435,236	7,058,573
Term endowment and related gains	196,583	176,955
Additional accumulated gains available for expenditure, subject to spending policy	7,609,072	7,223,773
Total endowment funds with donor restrictions	15,240,891	14,459,301
University endowment	28,948,111	27,699,834
SHC endowment funds with donor restrictions	31,249	24,353
LPCH endowment funds with donor restrictions	390,056	362,229
TOTAL ENDOWMENT FUNDS	**$ 29,369,416**	**$ 28,086,416**

Most of Stanford's endowment is invested in the MP. The return objective for the MP is to generate optimal long-term total return while maintaining an appropriate level of risk. Investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Portfolio asset allocation targets as well as expected risk, return and correlation among the asset classes are reevaluated regularly by Stanford Management Company.

UNIVERSITY

Changes in the University's endowment, excluding pledges, for the years ended August 31, 2020 and 2019, in thousands of dollars, are as follows:

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL
2020			
Endowment, beginning of year	$ 13,240,533	$ 14,459,301	$ 27,699,834
Total investment returns, net	874,236	1,237,640	2,111,876
Amounts distributed for operations	(534,497)	(820,561)	(1,355,058)
Gifts, transfers and other changes in endowment:			
Current year gifts and pledge payments	2,017	251,665	253,682
Transfers of prior year gifts	3,331	82,391	85,722
EFP funds added to the endowment	148,692	—	148,692
Other funds added to (withdrawn from) the endowment, net	(27,092)	30,455	3,363
Total gifts, transfers and other changes in endowment	126,948	364,511	491,459
Total net increase in endowment	466,687	781,590	1,248,277
ENDOWMENT, END OF YEAR	**$ 13,707,220**	**$ 15,240,891**	**$28,948,111**
2019			
Endowment, beginning of year	$ 12,351,730	$ 14,113,182	$ 26,464,912
Total investment returns, net	1,495,691	830,055	2,325,746
Amounts distributed for operations	(524,564)	(778,471)	(1,303,035)
Gifts, transfers and other changes in endowment:			
Current year gifts and pledge payments	5,301	229,370	234,671
Transfers of prior year gifts	3,864	65,541	69,405
EFP funds added to the endowment	23,622	—	23,622
Other funds withdrawn from the endowment, net	(115,111)	(376)	(115,487)
Total gifts, transfers and other changes in endowment	(82,324)	294,535	212,211
Total net increase in endowment	888,803	346,119	1,234,922
ENDOWMENT, END OF YEAR	**$ 13,240,533**	**$ 14,459,301**	**$27,699,834**

Approximately 17% of the University's endowment is invested in real estate on Stanford's lands, including the Stanford Research Park. This portion of the endowment includes the present value of ground leases, and rental properties that have been developed on Stanford lands. The net operating income from these properties is distributed each year for University operations.

Through the combination of investment strategy and payout policy, the University strives to provide a reasonably consistent payout from endowment to support operations, while preserving the purchasing power of the endowment adjusted for inflation.

The Board approves the amounts to be paid out annually from endowment funds invested in the MP. Consistent with the Uniform Prudent Management of Institutional Funds Act, when determining the appropriate payout the Board considers the purposes of the University and the endowment, the duration and preservation of the endowment, general economic conditions, the possible effect of inflation or deflation, the expected return from income and the appreciation of investments, other resources of the University, and the University's investment policy.

The current Board approved targeted spending rate is 5.5%. The payout amount is determined by applying a smoothing rule designed to mitigate the impact of short-term market volatility on the flow of funds to support operations. The Board has the authority to override the smoothing rule and set the payout rate directly. The sources of payout are earned income on endowment assets (interest, dividends, rents and royalties), realized capital gains and FFE, as needed and as available.

SHC AND LPCH

The endowments of SHC and LPCH are intended to generate investment income to support their current operating and strategic initiatives. The Hospitals invest the majority of their endowments in the University's MP. The endowments are subject to similar investment and spending strategies that the University employs. The Hospitals' Boards of Directors have approved payout policies which provide for annual amounts to be distributed for current use. "Amounts distributed for operations" in the tables below represents SHC's and LPCH's current year endowment payout spent for designated purposes during fiscal years 2020 and 2019.

SHC

All of SHC's endowment is with donor restrictions. Changes in SHC's endowment, excluding pledges, for the years ended August 31, 2020 and 2019, in thousands of dollars, are as follows:

	2020	2019
Endowment, beginning of year	$ 24,353	$ 22,215
Total investment returns, net	2,213	1,301
Amounts distributed for operations	(519)	(361)
Gifts and pledge payments	5,202	1,198
Total net increase in endowment	6,896	2,138
ENDOWMENT, END OF YEAR	**$ 31,249**	**$ 24,353**

LPCH

All of LPCH's endowment is with donor restrictions. Changes in LPCH's endowment, excluding pledges, for the years ended August 31, 2020 and 2019, in thousands of dollars, are as follows:

	2020	2019
Endowment, beginning of year	$ 362,229	$ 353,374
Total investment returns, net	30,789	18,944
Amounts distributed for operations	(17,390)	(15,774)
Gifts and pledge payments	15,159	7,252
Other	(731)	(1,567)
Total net increase in endowment	27,827	8,855
ENDOWMENT, END OF YEAR	**$ 390,056**	**$ 362,229**

12. Health Care Services Revenue

SHC and LPCH derive a majority of health care services revenue from contractual agreements with Medicare, Medi-Cal and other third-party payers that provide for payments at amounts different from established rates. Payments under these agreements and programs are based on a variety of payment models, including estimated retroactive audit adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are estimated and recorded in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Contracts, laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. As a result, it is reasonably possible that recorded estimates may change by a material amount in the near term.

A summary of payment arrangements with major third-party payers follows:

Medicare
Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

Inpatient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology subject to final settlement after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net health care services revenue in the year examination is substantially completed. Medicare cost reports have been audited by the Medicare administrative contractor through August 31, 2010 for SHC and August 31, 2018 for LPCH.

Professional services are reimbursed based on a fee schedule.

Medi-Cal
The State reimburses hospitals for inpatient services rendered to Medi-Cal program beneficiaries based on a prospectively determined rate per discharge. Hospital outpatient and professional services are reimbursed based upon prospectively determined fee schedules.

The California Children's Services (“CCS”) Program is a partnership between state and counties that provides medical case management for children in California diagnosed with serious chronic diseases. Currently, approximately 70% of CCS-eligible children are also Medi-Cal eligible. The Medi-Cal program reimburses their care.

Managed Care Organizations
SHC and LPCH have entered into agreements with numerous third-party payers to provide patient care to beneficiaries under a variety of payment arrangements. These include arrangements with:

- Commercial insurance companies which reimburse at negotiated charges.
- Managed care contracts such as those with Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs), which reimburse at contracted or per diem rates, which are usually less than full charges.
- Counties in the State of California, which reimburse for certain indigent patients covered under county contracts.

Uninsured

For uninsured patients that do not qualify for charity care, revenue is recognized on the basis of standard rates for services less an uninsured discount applied to the patient's account that approximates the average discount for managed care payers.

Premium Revenue

SHC has capitated agreements with various HMOs to provide medical services to enrollees. Under these agreements, monthly payments are received based on the number of health plan enrollees. Additionally, SHC receives premium revenue from the Centers for Medicare & Medicaid Services ("CMS") to provide Medicare services to members. Premium revenue is recognized in the month in which the member is eligible for Medicare services as "health care services" in the *Consolidated Statements of Activities*. Costs are accrued when services are rendered under these contracts, including cost estimates of incurred but not reported ("IBNR") claims. The IBNR accrual (which is included in "accounts payable and accrued expenses") includes an estimate of the costs of services for which SHC is responsible, including referrals to outside healthcare providers.

The following table presents health care services revenue, net of price concessions, for the years ended August 31, in thousands of dollars:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2020					
Patient care revenue, net:					
Medicare	$ —	$ 921,709	$ 5,399	$ —	$ 927,108
Medi-Cal	—	108,751	375,499	—	484,250
Managed care	—	3,957,801	1,362,432	—	5,320,233
Self pay and other	—	114,470	140,532	—	255,002
Physician services and support (see *Note 1*)	1,235,774	38,207	—	(1,273,981)	—
Total patient care revenue, net	1,235,774	5,140,938	1,883,862	(1,273,981)	6,986,593
Premium revenue	—	116,971	—	—	116,971
Other services and support	42,872	—	—	(9,848)	33,024
HEALTH CARE SERVICES REVENUE, NET	**$1,278,646**	**$5,257,909**	**$1,883,862**	**$ (1,283,829)**	**$ 7,136,588**
2019					
Patient care revenue, net:					
Medicare	$ —	$ 937,369	$ 10,924	$ —	$ 948,293
Medi-Cal	—	150,184	418,841	—	569,025
Managed care	—	3,871,597	1,290,662	—	5,162,259
Self pay and other	—	115,527	117,334	—	232,861
Physician services and support (see *Note 1*)	1,166,935	38,375	—	(1,205,310)	—
Total patient care revenue, net	1,166,935	5,113,052	1,837,761	(1,205,310)	6,912,438
Premium revenue	—	106,130	—	—	106,130
Other services and support	43,286	—	—	(11,182)	32,104
HEALTH CARE SERVICES REVENUE, NET	**$1,210,221**	**$5,219,182**	**$1,837,761**	**$ (1,216,492)**	**$ 7,050,672**

For the years ended August 31, 2020 and 2019, SHC recognized net health care services revenue adjustments of $10.8 million and $20.3 million, respectively, as a result of prior years' favorable developments related to reimbursement and appeals. LPCH had no significant adjustments to revenue for the years ended August 31, 2020 and 2019.

Charity Care and Community Benefits
SHC and LPCH provide charity care, free of charge, to vulnerable populations. SHC's estimated cost of providing charity care was $23.4 million and $24.0 million, and LPCH's estimated cost of providing charity care was $1.2 million and $2.7 million for the years ended August 31, 2020 and 2019, respectively. This cost is estimated by calculating a ratio of total costs to gross patient service charges at established rates, and then multiplying that ratio by gross uncompensated patient service charges at established rates associated with providing care to charity patients. SHC received $825 thousand and $410 thousand during the years ended August 31, 2020 and 2019, respectively, from contributions that were restricted for the care of indigent patients.

SHC and LPCH also provide services to other patients under the Medicare, Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. Estimated costs in excess of reimbursements for the Medicare, Medi-Cal and other publicly sponsored programs for the years ended August 31, 2020 and 2019 were $1.4 billion and $1.1 billion for SHC, and $259.5 million and $296.2 million for LPCH, respectively.

Provider Fee
The State of California enacted legislation in 2009 as subsequently amended which established a Hospital Quality Assurance Fee (QAF) Program and a Hospital Fee Program. These programs impose a provider fee on certain California general acute care hospitals that, combined with federal matching funds, is used to provide supplemental payments to certain hospitals and support the State's effort to maintain health care coverage for children. California's participation in these programs was made permanent by a ballot initiative passed in November 2016. Specific portions of the program covering the period from July 1, 2017 to June 30, 2019, and July 1, 2019 to December 31, 2021, have not yet been approved by the Centers for Medicare and Medicaid Services (CMS). Accordingly, any potential activity under unapproved programs related to July 1, 2017 through August 31, 2020 have not been recorded in the *Consolidated Statements of Activities*.

Deferred revenue associated with unapproved programs will be recognized as revenue upon CMS approval. SHC recorded $53.5 million and $31.6 million in deferred revenue as of August 31, 2020 and 2019, respectively. LPCH recorded $57.2 million and $23.3 million in deferred revenue as of August 31, 2020 and 2019, respectively.

Provider fee revenue is recorded in "health care services" while provider fee expense is recorded in "other operating expenses" in the *Consolidated Statements of Activities*. Provider fee revenue, net of expense, under the approved portions of the programs for the years ended August 31, in thousands of dollars, is as follows:

	SHC	LPCH	CONSOLIDATED
2020			
Revenue	$ 66,459	$ 80,604	$ 147,063
Expense	(54,914)	(23,845)	(78,759)
TOTAL	**$ 11,545**	**$ 56,759**	**$ 68,304**
2019			
Revenue	$ 93,880	$ 141,585	$ 235,465
Expense	(39,544)	(33,319)	(72,863)
TOTAL	**$ 54,336**	**$ 108,266**	**$ 162,602**

13. Gifts and Pledges

Gifts and pledges reported for financial statement purposes are recorded on the accrual basis. The Office of Development (OOD), which is the primary fundraising agent for the University and SHC, reports total gifts based on contributions received in cash or property during the fiscal year. Lucile Packard Foundation for Children's Health (LPFCH) is the primary community fundraising agent for LPCH and the pediatric faculty and programs at the University's SOM. The following summarizes gifts and pledges reported for the years ended August 31, 2020 and 2019, per the *Consolidated Statements of Activities*, in thousands of dollars:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020				
Current year gifts in support of operations	$ 289,908	$ 1,703	$ 4,115	$ 295,726
Donor advised funds, net	61,723	—	—	61,723
Current year gifts not included in operations	2,026	—	—	2,026
Gifts and pledges, net - with donor restrictions	684,985	22,084	32,172	739,241
TOTAL	**$1,038,642**	**$ 23,787**	**$ 36,287**	**$ 1,098,716**
2019				
Current year gifts in support of operations	$ 251,491	$ 244	$ 4,678	$ 256,413
Donor advised funds, net	8,518	—	—	8,518
Current year gifts not included in operations	3,251	—	—	3,251
Gifts and pledges, net - with donor restrictions	525,580	31,079	33,760	590,419
TOTAL	**$ 788,840**	**$ 31,323**	**$ 38,438**	**$ 858,601**

14. Functional Expenses

Expenses are presented by functional classification in alignment with Stanford's mission of teaching, research and health care.

Major functional categories consist of the following:

- **Instruction and departmental research** includes teaching and internally funded research expenses.
- **Organized research - direct costs** include sponsored support costs.
- **Health care services** include patient care provided by SHC, LPCH, SOM faculty, and other health care related activities.
- **Auxiliary activities** include housing and dining services, intercollegiate athletics, Stanford Alumni Association, and other activities.
- **SLAC construction** includes the costs associated with major projects and facilities at the SLAC National Accelerator Laboratory.

Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Depreciation and facility operations and maintenance expenses are allocated to the functional categories directly or based on the square footage occupancy. Salaries and benefits expenses are allocated to functional categories directly based on time and effort incurred.

Expenses by functional and natural classification for the years ended August 31, 2020 and 2019 , in thousands of dollars, are as follows:

	SALARIES AND BENEFITS	DEPRECIATION	OTHER OPERATING EXPENSES	TOTAL OPERATING EXPENSES
2020				
UNIVERSITY				
Instruction and departmental research	$ 1,468,928	$ 127,916	$ 506,658	$ 2,103,502
Organized research - direct costs	767,919	75,912	457,741	1,301,572
Health care services	842,633	3,342	18,066	864,041
Auxiliary activities	153,498	92,752	252,046	498,296
Administration and general	322,616	56,279	173,809	552,704
Student services	190,326	6,527	132,373	329,226
Libraries	70,592	70,102	53,688	194,382
Development	87,637	4,364	14,569	106,570
SLAC construction	57,991	—	57,641	115,632
TOTAL EXPENSES	**3,962,140**	**437,194**	**1,666,591**	**6,065,925**
SHC				
Health care services	2,312,459	236,553	2,525,025	5,074,037
Administration and general	234,959	18,526	204,940	458,425
Development	841	—	13,229	14,070
TOTAL EXPENSES	**2,548,259**	**255,079**	**2,743,194**	**5,546,532**
LPCH				
Health care services	826,294	111,493	881,231	1,819,018
Administration and general	95,246	8,953	74,618	178,817
Development	13,790	684	7,150	21,624
TOTAL EXPENSES	**935,330**	**121,130**	**962,999**	**2,019,459**
ELIMINATIONS				
Health care services	—	—	(1,220,589)	(1,220,589)
Administration and general	—	—	(50,797)	(50,797)
Development	—	—	(12,443)	(12,443)
TOTAL ELIMINATIONS	**—**	**—**	**(1,283,829)**	**(1,283,829)**
CONSOLIDATED				
Instruction and departmental research	1,468,928	127,916	506,658	2,103,502
Organized research - direct costs	767,919	75,912	457,741	1,301,572
Health care services	3,981,386	351,388	2,203,733	6,536,507
Auxiliary activities	153,498	92,752	252,046	498,296
Administration and general	652,821	83,758	402,570	1,139,149
Student services	190,326	6,527	132,373	329,226
Libraries	70,592	70,102	53,688	194,382
Development	102,268	5,048	22,505	129,821
SLAC construction	57,991	—	57,641	115,632
TOTAL EXPENSES	**$ 7,445,729**	**$ 813,403**	**$ 4,088,955**	**$ 12,348,087**

	SALARIES AND BENEFITS	DEPRECIATION	OTHER OPERATING EXPENSES	TOTAL EXPENSES
2019				
UNIVERSITY				
Instruction and departmental research	$ 1,407,946	$ 112,357	$ 568,588	$ 2,088,891
Organized research - direct costs	716,857	68,312	463,345	1,248,514
Health care services	778,973	3,442	17,719	800,134
Auxiliary activities	162,403	93,242	256,256	511,901
Administration and general	297,661	45,662	159,672	502,995
Student services	182,294	5,926	125,311	313,531
Libraries	70,054	66,156	52,515	188,725
Development	80,681	2,957	20,415	104,053
SLAC construction	71,326	—	137,997	209,323
TOTAL EXPENSES	**3,768,195**	**398,054**	**1,801,818**	**5,968,067**
SHC				
Health care services	2,082,191	171,008	2,279,215	4,532,414
Administration and general	219,615	19,128	221,659	460,402
Development	593	—	13,306	13,899
TOTAL EXPENSES	**2,302,399**	**190,136**	**2,514,180**	**5,006,715**
LPCH				
Health care services	726,588	103,686	865,620	1,695,894
Administration and general	83,641	9,286	73,898	166,825
Development	11,587	1	6,887	18,475
TOTAL EXPENSES	**821,816**	**112,973**	**946,405**	**1,881,194**
ELIMINATIONS				
Health care services	—	—	(1,159,890)	(1,159,890)
Administration and general	—	—	(43,865)	(43,865)
Development	—	—	(12,737)	(12,737)
TOTAL ELIMINATIONS	**—**	**—**	**(1,216,492)**	**(1,216,492)**
CONSOLIDATED				
Instruction and departmental research	1,407,946	112,357	568,588	2,088,891
Organized research - direct costs	716,857	68,312	463,345	1,248,514
Health care services	3,587,752	278,136	2,002,664	5,868,552
Auxiliary activities	162,403	93,242	256,256	511,901
Administration and general	600,917	74,076	411,364	1,086,357
Student services	182,294	5,926	125,311	313,531
Libraries	70,054	66,156	52,515	188,725
Development	92,861	2,958	27,871	123,690
SLAC construction	71,326	—	137,997	209,323
TOTAL EXPENSES	**$ 6,892,410**	**$ 701,163**	**$ 4,045,911**	**$11,639,484**

15. University Retirement Plans

The University provides retirement benefits through both defined contribution and defined benefit retirement plans for substantially all of its employees.

DEFINED CONTRIBUTION PLAN

The University offers a defined contribution plan to eligible faculty and staff through the *Stanford Contributory Retirement Plan* (SCRP). Employer contributions are based on a percentage of participant annual compensation, participant contributions and years of service. University and participant contributions are primarily invested in annuities and mutual funds. University contributions under the SCRP, which are vested immediately to participants, were approximately $191.1 million and $179.3 million for the years ended August 31, 2020 and 2019, respectively.

DEFINED BENEFIT PLANS

The University provides retirement and postretirement medical and other benefits through the *Staff Retirement Annuity Plan*, the *Faculty Retirement Incentive Program*, and the *Postretirement Benefit Plan* (the "Plans"). The obligations for the Plans, net of plan assets, are recorded in the *Consolidated Statements of Financial Position* as "accrued pension and postretirement benefit obligations." These plans are described in more detail below.

Staff Retirement Annuity Plan

Retirement benefits for certain employees are provided through the *Staff Retirement Annuity Plan* (SRAP), a noncontributory plan. While the SRAP is closed to new participants, certain employees continue to accrue benefits. Contributions to the plan are made in accordance with the Employee Retirement Income Security Act (ERISA) based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

Faculty Retirement Incentive Program

The University provides a retirement incentive bonus for eligible faculty through the University *Faculty Retirement Incentive Program* (FRIP). The University's faculty may become eligible for the FRIP program if they commit to retire within a designated window of time. At August 31, 2020 and 2019, there were no program assets. The University funds benefit payouts as they are incurred.

Postretirement Benefit Plan

The University provides health care benefits for retired employees through its *Postretirement Benefit Plan* (PRBP). The University's employees and their covered dependents may become eligible for the PRBP upon the employee's retirement and meeting specific years of service and age criteria. Retiree health plans are paid for, in part, by retiree contributions, which are adjusted annually. The University's subsidy varies depending on whether the retiree is covered under the grandfathered design or the defined dollar benefit design. Medicare supplement options are provided for retirees over age 65.

The change in the Plans' assets, the related change in benefit obligations and the amounts recognized in the financial statements, in thousands of dollars, are as follows:

	SRAP	FRIP	PRBP	TOTAL
2020				
Fair value of plan assets, beginning of year	$ 267,977	$ —	$ 258,016	$ 525,993
Change in plan assets:				
Actual return on plan assets	33,460	—	42,155	75,615
Employer contributions	1,483	9,057	11,611	22,151
Plan participants' contributions	—	—	14,480	14,480
Benefits and plan expenses paid	(20,053)	(9,057)	(35,136) *	(64,246)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**282,867**	**—**	**291,126**	**573,993**
Benefit obligation, beginning of year	319,422	204,185	682,139	1,205,746
Change in projected benefit obligation:				
Service cost	1,505	12,132	22,999	36,636
Interest cost	8,450	5,562	20,550	34,562
Plan participants' contributions	—	—	14,480	14,480
Plan amendments	1,256	—	—	1,256
Actuarial loss (gain)	7,501	(21,131)	(42,860)	(56,490)
Benefits and plan expenses paid	(20,053)	(9,057)	(35,136) *	(64,246)
BENEFIT OBLIGATION, END OF YEAR	**318,081**	**191,691**	**662,172**	**1,171,944**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (35,214)**	**$(191,691)**	**$(371,046)**	**$ (597,951)**

** Net of Medicare subsidy of $2.0 million*

	SRAP	FRIP	PRBP	TOTAL
2019				
Fair value of plan assets, beginning of year	$ 249,433	$ —	$ 249,589	$ 499,022
Change in plan assets:				
Actual return on plan assets	30,969	—	14,192	45,161
Employer contributions	5,676	6,362	13,329	25,367
Plan participants' contributions	—	—	14,834	14,834
Benefits and plan expenses paid	(18,101)	(6,362)	(33,928) *	(58,391)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**267,977**	**—**	**258,016**	**525,993**
Benefit obligation, beginning of year	288,436	172,764	556,375	1,017,575
Change in projected benefit obligation:				
Service cost	1,429	9,800	16,347	27,576
Interest cost	10,958	6,730	22,718	40,406
Plan participants' contributions	—	—	14,834	14,834
Plan amendments	—	—	3,246	3,246
Actuarial loss	36,700	21,253	102,547	160,500
Benefits and plan expenses paid	(18,101)	(6,362)	(33,928) *	(58,391)
BENEFIT OBLIGATION, END OF YEAR	**319,422**	**204,185**	**682,139**	**1,205,746**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (51,445)**	**$(204,185)**	**$(424,123)**	**$ (679,753)**

** Net of Medicare subsidy of $1.5 million*

The accumulated benefit obligation for the SRAP was $317.2 million and $318.5 million at August 31, 2020 and 2019, respectively.

Net periodic benefit expense and non-operating activities related to the Plans for the years ended August 31, 2020 and 2019, in thousands of dollars, includes the following components:

	SRAP	FRIP	PRBP	TOTAL
2020				
Service cost	$ 1,505	$ 12,132	$ 22,999	$ 36,636
PERIODIC BENEFIT EXPENSE	**1,505**	**12,132**	**22,999**	**36,636**
Non-operating:				
Interest cost	8,450	5,562	20,550	34,562
Expected return on plan assets	(12,678)	—	(16,771)	(29,449)
Amortization of:				
Prior service cost	606	—	373	979
Actuarial loss	1,239	1,022	4,425	6,686
Non-operating periodic benefit cost	(2,383)	6,584	8,577	12,778
NET PERIODIC BENEFIT COST[1]	**(878)**	**18,716**	**31,576**	**49,414**
Non-operating periodic benefit cost	(2,383)	6,584	8,577	12,778
New prior service cost	1,256	—	—	1,256
Net actuarial gain	(13,281)	(21,131)	(68,244)	(102,656)
Amortization of:				
Prior service cost	(606)	—	(373)	(979)
Actuarial loss	(1,239)	(1,022)	(4,425)	(6,686)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ (16,253)**	**$ (15,569)**	**$ (64,465)**	**$ (96,287)**
2019				
Service cost	$ 1,429	$ 9,800	$ 16,347	$ 27,576
Interest cost	10,958	6,730	22,718	40,406
Expected return on plan assets	(11,970)	—	(16,223)	(28,193)
Amortization of:				
Prior service cost	960	—	—	960
Actuarial loss	627	—	—	627
NET PERIODIC BENEFIT EXPENSE	**2,004**	**16,530**	**22,842**	**41,376**
New prior service cost	—	—	3,246	3,246
Net actuarial loss	17,701	21,253	104,578	143,532
Amortization of:				
Prior service cost	(960)	—	—	(960)
Actuarial loss	(627)	—	—	(627)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**16,114**	**21,253**	**107,824**	**145,191**
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT EXPENSE AND NON-OPERATING ACTIVITIES	**$ 18,118**	**$ 37,783**	**$ 130,666**	**$ 186,567**

[1]The components of net periodic benefit cost other than service cost are included in "pension and other postemployment benefit related changes other than service cost" in the Statement of Activities.

Cumulative amounts recognized in non-operating activities, but not yet recognized in net periodic benefit cost in the *Consolidated Statements of Activities*, are presented in the following table for the years ended August 31, 2020 and 2019, in thousands of dollars:

	SRAP	FRIP	PRBP	TOTAL
2020				
Prior service cost	$ 4,680	$ —	$ 2,873	$ 7,553
Net actuarial loss	46,607	15,874	54,311	116,792
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 51,287**	**$ 15,874**	**$ 57,184**	**$ 124,345**
2019				
Prior service cost	$ 4,030	$ —	$ 3,246	$ 7,276
Net actuarial loss	61,127	38,027	126,980	226,134
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 65,157**	**$ 38,027**	**$ 130,226**	**$ 233,410**

The prior service costs and net actuarial loss expected to be amortized from non-operating activities to net periodic benefit cost in fiscal year 2021, in thousands of dollars, are as follows:

	SRAP	FRIP	PRBP	TOTAL
Prior service cost	$ 850	$ —	$ 373	$ 1,223
Net actuarial loss	$ 654	$ —	$ —	$ 654

ACTUARIAL ASSUMPTIONS

The weighted average assumptions used to determine the benefit obligations and net periodic benefit cost for the Plans are shown below:

	SRAP		FRIP		PRBP	
	2020	2019	2020	2019	2020	2019
BENEFIT OBLIGATIONS						
Discount rate	2.18%	2.78%	2.26%	2.82%	2.59%	3.06%
Covered payroll growth rate	3.00%	3.00%	4.79%	4.25%	N/A	N/A
NET PERIODIC BENEFIT COST						
Discount rate	2.78%	4.00%	2.82%	4.02%	3.06%	4.16%
Expected returns on plan assets	5.00%	5.00%	N/A	N/A	6.50%	6.50%
Covered payroll growth rate	3.00%	3.00%	4.25%	4.26%	N/A	N/A

The expected long-term rate of return on asset assumptions for the SRAP and PRBP plans is 5.00% and 6.00%, respectively. The assumption is used in determining the expected returns on plan assets, a component of net periodic benefit expense (income), representing the expected return for the upcoming fiscal year on plan assets. This assumption is developed based on future expectations for returns in each asset class, as well as the target asset allocation of the portfolios. The use of expected long-term returns on plan assets may result in income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns, and therefore result in a pattern of income and cost recognition that more closely matches the pattern of the services provided by the employees. Differences between actual and expected returns are recognized as a component of non-operating activities and amortized as a component of net periodic benefit expense (income) over the service or life expectancy of the plan participants, depending on the plan, provided such amounts exceed the accounting standards threshold.

To determine the accumulated PRBP obligation at August 31, 2020, a 6.00% annual rate of increase in the per capita cost of covered health care was assumed for calendar year 2020, declining gradually to 4.50% by 2038 and remaining at this rate thereafter.

Health care cost trend rate assumptions have a significant effect on the amounts reported for the health care plans. If the assumed health care cost trend were increased or decreased by 1%, the impact on the PRBP service and interest cost and the accumulated obligation are as follows, in thousands of dollars:

	1% INCREASE IN HEALTH CARE COST TREND RATE	1% DECREASE IN HEALTH CARE COST TREND RATE
Effect on PRBP total service and interest cost	$ 11,128	$ (8,325)
Effect on accumulated PRBP obligation	$ 125,496	$ (98,311)

EXPECTED CONTRIBUTIONS

The University expects to contribute $13.3 million to the FRIP and does not expect to contribute to the SRAP or PRBP during the fiscal year ending August 31, 2021.

EXPECTED BENEFIT PAYMENTS

The following benefit payments, which reflect expected future service, are expected to be paid for the years ending August 31, in thousands of dollars:

			PRBP	
YEAR ENDING AUGUST 31	SRAP	FRIP	EXCLUDING MEDICARE SUBSIDY	EXPECTED MEDICARE PART D SUBSIDY
2021	$ 29,317	$ 13,309	$ 23,379	$ 2,243
2022	22,902	14,520	24,483	2,387
2023	22,363	11,512	25,614	2,528
2024	20,590	10,507	26,793	2,665
2025	19,650	10,417	28,021	2,801
2026 - 2030	87,862	57,924	159,055	16,286

INVESTMENT STRATEGY

The University's Retirement Program Investment Committee, acting in a fiduciary capacity, has established formal investment policies for the assets associated with the University's funded plans (SRAP and PRBP). The investment strategy of the plans is to preserve and enhance the value of the plans' assets within acceptable levels of risk. Investments in the plans are diversified among asset classes, striving to achieve an optimal balance between risk and return, and income and capital appreciation. Because the liabilities of each of the plans are long-term, the investment horizon is primarily long-term, with adequate liquidity to meet short-term benefit payment obligations.

CONCENTRATION OF RISK

The University manages a variety of risks, including market, credit, and liquidity risks, across its plan assets. Concentration of risk is defined as an undiversified exposure to one of the above-mentioned risks that increases the exposure of the loss of plan assets unnecessarily. Risk is minimized by predominately investing in broadly diversified index funds for public equities and fixed income. As of August 31, 2020, the University did not have concentrations of risk in any single entity, counterparty, sector, industry or country.

PLAN ASSETS AND ALLOCATIONS

Current U.S. GAAP defines a hierarchy of valuation inputs for the determination of the fair value of plan assets as described in *Note 6*. As of August 31, 2020 and 2019, all of the assets of the PRBP and substantially all of the assets of the SRAP were categorized as Level 1 investments. The fair value of plan assets by asset category, in thousands of dollars, at August 31, 2020 and 2019 and actual allocations and weighted-average target allocations at August 31, 2020 are as follows:

	2020	2019	2020 ACTUAL ALLOCATION	2020 TARGET ALLOCATION
SRAP:				
Cash and cash equivalents	$ 1,940	$ 1,144	1%	0%
Public equities	118,761	100,872	42%	41%
Fixed income	162,144	165,902	57%	59%
Private equities	22	59	<1%	0%
TOTAL	**282,867**	**267,977**	**100%**	**100%**
PRBP:				
Public equities	220,145	194,243	76%	75%
Fixed income	70,981	63,773	24%	25%
TOTAL	**291,126**	**258,016**	**100%**	**100%**
TOTAL PLAN ASSETS AT FAIR VALUE	**$ 573,993**	**$ 525,993**		

16. SHC and LPCH Retirement Plans

SHC and LPCH provide retirement benefits through defined benefit and defined contribution retirement plans covering substantially all of its regular employees.

DEFINED CONTRIBUTION PLAN

The Hospitals offer a defined contribution plan to eligible employees. Employer contributions to the defined contribution retirement plan are based on a percentage of participant annual compensation, participant contributions and years of service. SHC and LPCH contributions under the plan, which are vested immediately to participants, were approximately $124.2 million and $112.1 million, and $51.4 million and $44.3 million for the years ended August 31, 2020 and 2019, respectively.

DEFINED BENEFIT PLANS

The Hospitals provide retirement and postretirement medical benefits through the SHC *Staff Pension Plan*, the SHC *Postretirement Medical Benefit Plan*, and the LPCH *Frozen Pension Plan*, collectively (the "Plans"). The obligations for the Plans, net of plan assets, are recorded in the *Consolidated Statements of Financial Position* as "accrued pension and postretirement benefit obligations." These plans are described in more detail below.

Staff Pension Plan

Certain employees of SHC and LPCH are covered by the SHC *Staff Pension Plan* (the "Pension Plan"), a noncontributory, defined benefit pension plan. While the Pension Plan is closed to new participants, certain employees continue to accrue benefits. Benefits are based on years of service and the employee's compensation. Contributions to the plan are made in accordance with ERISA based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. SHC and LPCH have an arrangement whereby SHC assumes the pension liability of the LPCH employees and previously leased employees. However, LPCH is required to reimburse SHC for the annual expense incurred for these employees and previously leased employees.

Postretirement Medical Benefit Plan

SHC and LPCH provide health care benefits for certain retired employees through the SHC *Postretirement Medical Benefit Plan* (PRMB). The Hospitals' employees and their covered dependents may become eligible for the PRMB upon the employee's retirement as early as age 55, with years of service as defined by specific criteria. Retiree health plans are paid, in part, by retiree contributions, which are adjusted annually. The Hospitals' subsidies vary depending on whether the retiree is covered under the grandfathered design or the defined dollar benefit design. Medicare supplement options are provided for retirees over age 65. LPCH reimburses SHC for costs related to this plan on a periodic basis.

Frozen Pension Plan

The remainder of certain other LPCH employees and previously leased employees not covered by the previously described plans are covered by a frozen noncontributory defined benefit pension plan (the "LPCH *Frozen Pension Plan*"). Benefits are based on years of service and the employee's compensation. Contributions to the plan are made in accordance with ERISA based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

The change in the Plans' assets, the related change in benefit obligations and the amounts recognized in the financial statements, in thousands of dollars, are as follows:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2020			
Fair value of plan assets, beginning of year	$ 193,642	$ —	$ 6,872
Change in plan assets:			
Actual return on plan assets	26,157	—	1,009
Employer contributions	1,917	4,430	1,109
Plan participants' contributions	—	1,284	—
Benefits and plan expenses paid	(10,964)	(5,714) *	(671)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**210,752**	**—**	**8,319**
Benefit obligation, beginning of year	210,690	101,093	8,291
Change in projected benefit obligation:			
Service cost	1,546	3,829	—
Interest cost	5,907	2,704	222
Plan participants' contributions	—	1,284	—
Actuarial loss	12,228	4,868	538
Benefits and plan expenses paid	(10,964)	(5,714) *	(671)
Plan amendments	—	5,148	—
BENEFIT OBLIGATION, END OF YEAR	**219,407**	**113,212**	**8,380**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (8,655)**	**$ (113,212)**	**$ (61)**
** Net of Medicare subsidy of $125 thousand*			
2019			
Fair value of plan assets, beginning of year	$ 180,930	$ —	$ 6,108
Change in plan assets:			
Actual return on plan assets	23,736	—	883
Employer contributions	—	5,033	729
Plan participants' contributions	—	1,324	—
Benefits and plan expenses paid	(10,727)	(6,357) *	(440)
Plan settlements	(297)	—	(408)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**193,642**	**—**	**6,872**
Benefit obligation, beginning of year	187,580	77,544	7,953
Change in projected benefit obligation:			
Service cost	1,197	2,235	—
Interest cost	7,416	2,928	304
Plan participants' contributions	—	1,324	—
Actuarial gain	25,224	9,652	882
Benefits and plan expenses paid	(10,727)	(6,357) *	(440)
Plan amendments	—	13,767	—
Plan settlements	—	—	(408)
BENEFIT OBLIGATION, END OF YEAR	**210,690**	**101,093**	**8,291**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (17,048)**	**$ (101,093)**	**$ (1,419)**

** Net of Medicare subsidy of $0*

The net liability for the PRMB includes amounts for both SHC and LPCH employees and is recognized on the Hospitals' respective *Statements of Financial Position*. The table below presents the plan obligations for each entity as of August 31, 2020 and 2019, in thousands of dollars:

	2020	2019
SHC	$ 84,772	$ 76,491
LPCH	28,440	24,602
TOTAL	**$ 113,212**	**$ 101,093**

The accumulated benefit obligation for the Pension Plan and LPCH Frozen Pension Plan was $217.6 million and $208.9 million, and $8.4 million and $8.3 million at August 31, 2020 and 2019, respectively.

Net periodic benefit cost and non-operating activities related to the Plans for the years ended August 31, 2020 and 2019, in thousands of dollars, includes the following components:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2020			
Service cost	$ 1,546	$ 3,829	$ —
PERIODIC BENEFIT EXPENSE	**1,546**	**3,829**	**—**
Non-operating:			
Interest cost	5,907	2,704	222
Expected return on plan assets	(9,692)	—	(341)
Amortization of:			
Prior service cost	—	2,560	—
Actuarial loss (gain)	2,277	(251)	119
Non-operating net periodic benefit cost	**(1,508)**	**5,013**	**—**
NET PERIODIC BENEFIT COST[1]	**38**	**8,842**	**—**
Non-operating net periodic benefit cost	(1,508)	5,013	—
Net actuarial loss	(4,237)	4,868	(130)
New prior service cost	—	5,148	—
Amortization of:			
Prior service cost	—	(2,560)	—
Actuarial gain (loss)	(2,277)	251	(119)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ (8,022)**	**$ 12,720**	**$ (249)**
2019			
Service cost	$ 1,197	$ 2,235	$ —
Interest cost	7,416	2,928	304
Expected return on plan assets	(9,742)	—	(258)
Amortization of:			
Prior service cost	—	1,426	—
Actuarial loss (gain)	1,361	(924)	113
Settlement loss	—	—	121
NET PERIODIC BENEFIT EXPENSE	**232**	**5,665**	**280**
Net actuarial gain	11,525	9,652	257
New prior service cost	—	13,767	—
Amortization of:			
Prior service cost	—	(1,426)	—
Actuarial gain (loss)	(1,361)	924	(234)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**10,164**	**22,917**	**23**
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT EXPENSE AND NON-OPERATING ACTIVITIES	**$ 10,396**	**$ 28,582**	**$ 303**

[1]The components of net periodic benefit cost other than service cost are included in "pension and other postemployment benefit related changes other than service cost" in the Statement of Activities.

The net periodic benefit cost and amounts recognized in non-operating activities for the PRMB include amounts for both SHC and LPCH employees and is recognized on the Hospitals' respective *Statements of Activities*. The table below presents the amount for each entity as of August 31, 2020 and 2019, in thousands of dollars:

	SHC	LPCH	TOTAL
2020			
Net periodic benefit cost	$ 6,325	$ 2,517	$ 8,842
Amounts recognized in non-operating activities	5,472	2,235	7,707
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT COST AND NON-OPERATING ACTIVITIES	**$ 11,797**	**$ 4,752**	**$ 16,549**
2019			
Net periodic benefit cost	$ 4,129	$ 1,536	$ 5,665
Amounts recognized in non-operating activities	16,258	6,659	22,917
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT COST AND NON-OPERATING ACTIVITIES	**$ 20,387**	**$ 8,195**	**$ 28,582**

Cumulative amounts recognized in non-operating activities, but not yet recognized in net periodic benefit cost in the *Consolidated Statements of Activities*, are presented in the following table for the years ended August 31, 2020 and 2019, in thousands of dollars:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2020			
Prior service cost	$ —	$ 20,292	$ —
Net actuarial loss	58,709	1,106	2,204
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 58,709**	**$ 21,398**	**$ 2,204**
2019			
Prior service cost	$ —	$ 17,704	$ —
Net actuarial loss (gain)	65,223	(4,013)	2,453
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 65,223**	**$ 13,691**	**$ 2,453**

The prior service cost and net actuarial loss expected to be amortized from non-operating activities to net periodic benefit expense in fiscal year 2021, in thousands of dollars, are as follows:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
Prior service cost	$ —	$ 2,976	$ —
Net actuarial loss	$ 2,408	$ 68	$ 112

ACTUARIAL ASSUMPTIONS

The weighted average assumptions used to determine the benefit obligations and net periodic benefit cost for the Plans are shown below:

	STAFF PENSION PLAN		PRMB		LPCH FROZEN PENSION PLAN	
	2020	2019	2020	2019	2020	2019
BENEFIT OBLIGATIONS						
Discount rate	2.33%	2.88%	2.18%	2.77%	2.19%	2.80%
Covered payroll growth rate	3.00%	3.00%	N/A	N/A	N/A	N/A
NET PERIODIC BENEFIT COST						
Discount rate	2.88%	4.07%	2.77%	3.96%	2.80%	4.01%
Expected return on plan assets	5.50%	5.50%	N/A	N/A	4.50%	4.50%
Covered payroll growth rate	3.00%	3.00%	N/A	N/A	N/A	N/A

The expected long-term rate of return on asset assumptions for the Pension Plan and LPCH Frozen Pension Plan are 5.50% and 4.50%, respectively. The assumption is used in determining the expected returns on plan assets, a component of net periodic benefit expense (income), representing the expected return for the upcoming fiscal year on plan assets based on the calculated market-related value of plan assets. This assumption is developed based on future expectations for returns in each asset class, as well as the target asset allocation of the portfolios. The use of expected long-term returns on plan assets may result in income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns, and therefore result in a pattern of income and cost recognition that more closely matches the pattern of the services provided by the employees. Differences between actual and expected returns are recognized as a component of non-operating activities and amortized as a component of net periodic benefit expense (income) over the service or life expectancy of the plan participants, depending on the plan, provided such amounts exceed the accounting standards threshold.

To determine the accumulated PRMB obligation at August 31, 2020, a 6.00% annual rate of increase in the per capita cost of covered health care was assumed for calendar year 2020, declining gradually to 4.50% by 2038 and remaining at this rate thereafter.

Health care cost trend rate assumptions have a significant effect on the amounts reported for the health care plan. If the assumed health care cost trend were increased or decreased by 1%, the impact on PRMB service and interest cost and accumulated obligation are as follows, in thousands of dollars:

	1% INCREASE IN HEALTH CARE COST TREND RATE	1% DECREASE IN HEALTH CARE COST TREND RATE
Effect on PRMB total service and interest cost	$ 102	$ (109)
Effect on accumulated PRMB obligation	$ 1,918	$ (1,912)

EXPECTED CONTRIBUTIONS

SHC expects to contribute $5.6 million to the PRMB and does not expect to contribute to the Pension Plan during the fiscal year ending August 31, 2021. LPCH does not expect to contribute to the LPCH Frozen Pension Plan during the fiscal year ending August 31, 2021.

EXPECTED BENEFIT PAYMENTS

The following benefit payments, which reflect expected future service, are expected to be paid for the fiscal years ending August 31, in thousands of dollars:

YEAR ENDING AUGUST 31	STAFF PENSION PLAN	PRMB EXCLUDING MEDICARE SUBSIDY	PRMB EXPECTED MEDICARE PART D SUBSIDY	LPCH FROZEN PENSION PLAN
2021	$ 11,560	$ 7,537	$ 271	$ 721
2022	11,873	7,756	127	650
2023	12,068	7,830	121	603
2024	12,210	7,778	115	574
2025	12,311	7,740	108	549
2026 - 2030	61,062	39,198	425	2,392

INVESTMENT STRATEGY

SHC's and LPCH's investment strategies for the Pension Plan and LPCH Frozen Pension Plan is to maximize the total rate of return (income and appreciation) within the limits of prudent risk taking and Section 404 of ERISA. The funds are diversified across asset classes to achieve an optimal balance between risk and return and between income and capital appreciation. Because the liabilities of each of the plans are long-term, the investment horizon is primarily long-term, with adequate liquidity to meet short-term benefit payment obligations.

CONCENTRATION OF RISK

SHC and LPCH manage a variety of risks, including market, credit, and liquidity risks, across its plan assets. Concentration of risk is defined as an undiversified exposure to one of the above-mentioned risks that increases the exposure of the loss of plan assets unnecessarily. Risk is minimized by diversifying the Hospitals' exposure to such risks across a variety of instruments, markets, and counterparties. As of August 31, 2020, the Hospitals did not have concentrations of risk in any single entity, counterparty, sector, industry or country.

PLAN ASSETS AND ALLOCATIONS

Current U.S. GAAP defines a hierarchy of valuation inputs for the determination of the fair value of plan assets as described in *Note 6*. The Plans' assets measured at fair value at August 31, 2020 and 2019, are all categorized as Level 1 investments. The fair value of plan assets by asset category, in thousands of dollars, at August 31, 2020 and 2019 and actual allocations and weighted-average target allocations at August 31, 2020 are as follows:

	2020	2019	2020 ACTUAL ALLOCATION	2020 TARGET ALLOCATION
STAFF PENSION PLAN:				
Cash and cash equivalents	$ 673	$ 483	<1%	—%
Public equities	77,898	77,598	37%	40%
Fixed income	132,181	115,561	63%	60%
PLAN ASSETS AT FAIR VALUE	**$ 210,752**	**$ 193,642**	**100%**	**100%**
LPCH FROZEN PENSION PLAN:				
Cash and cash equivalents	$ 33	$ 30	<1%	—%
Public equities	—	2,058	—%	—%
Fixed income	8,286	4,784	100%	100%
PLAN ASSETS AT FAIR VALUE	**$ 8,319**	**$ 6,872**	**100%**	**100%**

17. Leases

LESSEE

Stanford leases research and development facilities, office spaces, buses, and equipment under operating and finance leases expiring through November 2057. Under the newly adopted accounting standard for leases, a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the *Consolidated Statements of Financial Position*, "right-of-use assets" represent Stanford's right to use an underlying asset for the lease term and "lease liabilities" represent Stanford's obligation to make lease payments arising from the lease based on the present value of lease payments over the lease term. Lease liabilities do not include lease payments that were not fixed at commencement or lease modification. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Stanford will exercise that option. The exercise of lease renewal options is at Stanford's sole discretion. Stanford uses an incremental borrowing rate for discounting leases, as applicable. Lease costs are included in other operating expense on the *Consolidated Statements of Activities*.

Supplemental information related to leases, in thousands of dollars, except lease term and discount rate, is as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2020					
Operating lease	$ 497,437	$ 341,428	$ 234,215	$ (145,532)	$ 927,548
Finance lease	176,489	152	—	—	176,641
TOTAL LEASE RIGHT-OF-USE ASSETS	**$ 673,926**	**$ 341,580**	**$ 234,215**	**$ (145,532)**	**$ 1,104,189**
Operating lease	$ 503,109	$ 362,955	$ 239,676	$ (145,532)	$ 960,208
Finance lease	180,125	164	—	—	180,289
TOTAL LEASE LIABILITY	**$ 683,234**	**$ 363,119**	**$ 239,676**	**$ (145,532)**	**$ 1,140,497**

Weighted-average remaining lease term:			
Operating lease	21.90 years	5.77 years	9.71 years
Finance lease	23.23 years	2.17 years	N/A
Weighted-average discount rate:			
Operating lease	2.47 %	2.08%	2.21%
Finance lease	2.52 %	1.79%	N/A

The components of lease expenses, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2020					
Operating lease cost	$ 42,396	$ 79,979	$ 32,850	$ —	$ 155,225
Finance lease cost:					
Amortization of leased assets	5,672	70	—	—	5,742
Interest on lease liabilities	1,567	4	—	—	1,571
Variable lease cost	2,915	17,937	5,779		26,631
Short-term lease cost	30,255	9,048	737	—	40,040
Sublease income	(16,440)	(5,732)	(3,895)	—	(26,067)
TOTAL LEASE COST	**$ 66,365**	**$ 101,306**	**$ 35,471**	**$ —**	**$ 203,142**

Supplemental cash flow information related to leases, in thousands of dollars, is as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating	$ 38,891	$ 82,180	$ 31,218	$ 152,289
Operating cash flows from finance leases	1,516	4	—	1,516
Financing cash flows from finance leases	3,807	73	—	3,807
Obtaining right-of-use assets in exchange for a lease liabilities:				
Operating leases	$ 65,236	$ 96,491	$ 124,323	$ 286,050
Finance leases	160,966	—	—	160,966

Maturities of lease liabilities for periods subsequent to August 31, 2020, in thousands of dollars, are as follows:

	MATURITY OF LEASE LIABILITIES				
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2021	$ 67,823	$ 82,974	$ 32,398	$ (16,431)	$ 166,764
2022	63,201	79,604	28,787	(15,015)	156,577
2023	46,562	72,744	28,273	(15,298)	132,281
2024	44,257	48,588	25,504	(15,640)	102,709
2025	43,269	28,612	21,886	(14,970)	78,797
Thereafter	713,589	78,858	132,363	(90,145)	834,665
TOTAL LEASE PAYMENTS	**978,701**	**391,380**	**269,211**	**(167,499)**	**1,471,793**
LESS IMPUTED INTEREST	**(295,467)**	**(28,261)**	**(29,535)**	**21,967**	**(331,296)**
TOTAL	**$ 683,234**	**$ 363,119**	**$ 239,676**	**$ (145,532)**	**$ 1,140,497**

Prior to the adoption of Topic 842, net minimum future operating lease payments for periods subsequent to August 31, 2019, in thousands of dollars, are as follows:

	MINIMUM LEASE PAYMENTS			
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2020	$ 59,210	$ 79,271	$ 25,789	$ 164,270
2021	37,626	73,406	20,672	131,704
2022	36,109	70,468	16,514	123,091
2023	33,548	64,352	15,992	113,892
2024	30,998	40,570	13,648	85,216
Thereafter	115,146	73,019	63,217	251,382
TOTAL	**$ 312,637**	**$ 401,086**	**$ 155,832**	**$ 869,555**

LESSOR

Stanford holds investment properties that it leases to external parties under non-cancellable operating leases. Stanford receives minimum rental income over the life of the lease; however, certain of the leases include variable rental payments that are based on a percentage of the tenant sales in excess of contractual amount. Certain leases include options for lessee to extend or terminate the lease. The residual value from the underlying asset following the end of the lease term is based on independent appraisals and internal models that are based on discounted cash flows and market data, if available.

Total rental income under these leases for the year ended August 31, 2020 was $182.5 million for the University, $5.7 million for SHC, and $1.4 million for LPCH.

18. Related Party Transactions

Members of the University, SHC, and LPCH boards and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with Stanford.

The University, SHC and LPCH have separate written conflict of interest policies that require, among other items, that no member of their respective board can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each board member is required to certify compliance with his or her respective entity's conflict of interest policy on an annual basis and indicate whether his or her respective entity does business with any entity in which the board member has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the respective entity, and in accordance with applicable conflict of interest laws and policies. No such associations are considered to be significant.

The University, SHC, and LPCH each requires its senior management to disclose annually any significant financial interests in, or employment or consulting relationships with, entities doing business with it. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the relevant entity. No such associations are considered to be significant.

19. Commitments and Contingencies

Management is of the opinion that none of the following commitments and contingencies will have a material adverse effect on Stanford's consolidated financial position.

SPONSORED SUPPORT

As described in *Note 1*, costs recovered by the University as sponsored support are subject to audit and adjustment. Fringe benefit costs for the fiscal years ended August 31, 2016 to 2020 are subject to audit. The University does not anticipate any material adjustments to the *Consolidated Financial Statements*.

HEALTH CARE

As described in *Note 12*, cost reports filed under the Medicare program for services based upon cost reimbursement are subject to audit. The estimated amounts due to or from the program are reviewed and adjusted annually based upon the status of such audits and subsequent appeals.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as to regulatory actions unknown or unasserted at this time. Government activity with respect to investigations and allegations concerning possible violations of regulations by health care providers could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. SHC and LPCH are subject to similar regulatory reviews, and while such reviews may result in repayments and civil remedies that could have a material effect on their respective financial results of operations in a given period, SHC's and LPCH's management believes that such repayments and civil remedies would not have a material effect on the financial position of SHC and LPCH, respectively.

INFORMATION PRIVACY AND SECURITY

As with many medical centers and universities across the country, information privacy and security is a significant enterprise risk area, owing to persistent and pervasive cyber threats along with expanding regulatory compliance obligations and enforcement. The University, SHC and LPCH have programs in place to safeguard important systems and protected information, yet significant incidents have occurred in the past and may occur in the future involving potential or actual disclosure of such information (including, for example, personally identifiable information relating to employees, students, patients or research participants). In most cases, there has been no evidence of unauthorized access to, or use/disclosure of, such information, yet privacy laws may require reporting to potentially affected individuals as well as federal, state and international governmental agencies. Governmental agencies have the authority to investigate and request further information about an incident or safeguards, to cite the University, SHC or LPCH for a deficiency or regulatory violation, and/or require payment of fines, corrective action, or both. California law also allows a private right to sue for a breach of medical information. To date, the cost of such possible consequences has not been material to the University, SHC or LPCH, and management does not believe that any future consequences of these identified incidents will be material to the *Consolidated Financial Statements*.

LABOR AGREEMENTS

Approximately 7% of the University's, 32% of SHC's and 43% of LPCH's employees are covered under union contract arrangements and are, therefore, subject to labor stoppages when contracts expire. There are currently no expired contracts under these union contract arrangements. The University's agreements with the Stanford Deputy Sheriffs' Association and the Service Employees International Union (SEIU) will expire in 2021 and 2024, respectively. SHC's and LPCH's agreements with SEIU and the Committee for Recognition of Nursing Achievement (CRONA) will expire in 2023 and 2022, respectively.

GUARANTEES AND INDEMNIFICATIONS

Stanford enters into indemnification agreements with third parties in the normal course of business. The impact of these agreements, individually or in the aggregate, is not expected to be material to the *Consolidated Financial Statements*. As a result, no liabilities related to guarantees and indemnifications have been recorded at August 31, 2020.

LITIGATION

The University, SHC and LPCH are defendants in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, resulting from these legal actions will not have a material adverse effect on the consolidated financial position.

CONTRACTUAL COMMITMENTS

At August 31, 2020, the University had contractual obligations of approximately $384.0 million in connection with major construction projects. Remaining expenditures on construction in progress are estimated to be $765.3 million, which will be financed with certain unexpended plant funds, gifts and debt. Commitments on construction contracts, including the construction and remodeling of Hospital facilities, were approximately $155.6 million for SHC and $22.3 million for LPCH at August 31, 2020.

The University executed two 25-year agreements with two solar electricity developers and operators in 2015 and 2018 to purchase the output from their solar photovoltaic facilities. The first facility was placed in service in December 2016 and the second facility is expected to be placed in service in December 2021. The minimum energy purchase requirements are expected to be well within the University's current consumption. The University's total payment under the agreements over the life of the agreements, undiscounted, is $262.0 million.

In addition, as described in *Note 6*, the University is obligated under certain alternative investment agreements to advance additional funding up to specified levels over a period of years.

COVID-19

The COVID-19 pandemic has caused disruptions to our nation's higher education and healthcare systems, including Stanford. Adversely impacted areas include, but are not limited to, student enrollment, housing and dining revenues, faculty, staff & student travel, increased financial need of students, and health care services.

Patient volumes and the related revenues for most of SHC's and LPCH's health care services were significantly impacted as various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic, including restrictions on nonessential medical services, travel bans, social distancing, and shelter-in-place orders. These policies required the hospitals to reduce hours and temporarily close certain operations, as well as significantly reduce surgical procedures, outpatient diagnostic and treatment services, and physician patient visits.

On March 27, 2020 the Federal Government passed the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) which made funds available to Stanford through various provisions of the legislation. As of August 31, 2020, SHC and LPCH received CARES Act provider relief funding of $124.6 million, and $79.0 million, respectively, reported as "special program fees and other income" on the *Consolidated Statements of Activities*.

Stanford recognized revenue related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (“HHS”), governing the funding that was publicly available at August 31, 2020. CARES Provider Relief Funds are subject to future audit adjustments based on compliance audits and potential changes to statutes. Subsequent to year-end, HHS issued new reporting requirements for the CARES Act provider relief funding. The new requirements expanded the Relief Fund Eligibility and Updated Reporting Requirements. This constitutes a change from the terms and conditions previously communicated in March 2020, which indicated that ‘any reasonable method’ could be utilized to calculate lost revenues attributable to coronavirus. Due to these new reporting requirements and the ongoing changes in the compliance requirements, there is at least a reasonable possibility that amounts recorded under CARES Act provider relief funds may change in future periods.

Furthermore, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of August 31, 2020, the University, SHC, and LPCH deferred payments of $56.0 million, $46.3 million, and $16.1 million, respectively, and are reported as "accounts payable and accrued expenses" on the *Consolidated Statements of Financial Position*.

Under the CARES Act, SHC also received $397.0 million in advanced payments from the Centers for Medicare & Medicaid Services (CMS) in fiscal year 2020 which is on the *Consolidated Statements of Financial Position* as of August 31, 2020. CMS has indicated that it will begin recouping these advance payments against future Medicare claims for services that are provided during the recoupment period.

Stanford is monitoring legislative developments, including future relief funding opportunities, and directives from federal, state, and local officials to determine additional precautions and procedures that may need to be implemented.

20. Subsequent Events

Stanford has evaluated subsequent events for the period from August 31, 2020 through December 2, 2020, the date the *Consolidated Financial Statements* were issued.

21. Consolidating Entity Statements

The pages which follow present consolidating statements of financial position as of August 31, 2020 and 2019, and consolidating statements of activities and cash flows for the years then ended, in thousands of dollars.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

At August 31, 2020 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 1,153,303	$ 1,642,912	$ 354,157	$ (7,391)	$ 3,142,981
Assets limited as to use	253,391	92	—	—	253,483
Accounts receivable, net	233,644	793,135	513,297	—	1,540,076
Receivables (payables) from SHC and LPCH, net	12,282	—	—	(12,282)	—
Prepaid expenses and other assets	101,999	388,725	93,576	(104,646)	479,654
Pledges receivable, net	1,369,417	47,396	109,446	(53,793)	1,472,466
Student loans receivable, net	46,089	—	—	—	46,089
Faculty and staff mortgages and other loans receivable, net	829,262	—	—	—	829,262
Investments at fair value	37,574,583	2,299,847	1,047,419	7,391	40,929,240
Right-of-use assets	673,926	341,580	234,215	(145,532)	1,104,189
Plant facilities, net of accumulated depreciation	7,685,710	3,646,012	1,840,898	—	13,172,620
Works of art and special collections	—	—	—	—	—
TOTAL ASSETS	**$ 49,933,606**	**$ 9,159,699**	**$ 4,193,008**	**$ (316,253)**	**$ 62,970,060**
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$ 931,274	$ 1,864,051	$ 333,378	$ (69,562)	$ 3,059,141
Liabilities associated with investments	1,002,896	—	—	—	1,002,896
Lease liabilities	683,234	363,119	239,676	(145,532)	1,140,497
Deferred income and other obligations	1,386,649	170,746	69,054	—	1,626,449
Accrued pension and postretirement benefit obligations	597,951	93,427	28,501	—	719,879
Notes and bonds payable	5,003,552	2,340,908	881,211	—	8,225,671
U.S. government refundable loan funds	22,668	—	—	—	22,668
TOTAL LIABILITIES	**9,628,224**	**4,832,251**	**1,551,820**	**(215,094)**	**15,797,201**
NET ASSETS:					
Without donor restrictions, including non-controlling interest attributable to SHC of $101,159	22,685,294	4,193,905	2,128,735	(101,159)	28,906,775
With donor restrictions	17,620,088	133,543	512,453	—	18,266,084
TOTAL NET ASSETS	**40,305,382**	**4,327,448**	**2,641,188**	**(101,159)**	**47,172,859**
TOTAL LIABILITIES AND NET ASSETS	**$ 49,933,606**	**$ 9,159,699**	**$ 4,193,008**	**$ (316,253)**	**$ 62,970,060**

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

At August 31, 2019 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 856,553	$ 505,509	$ 276,822	$ (7,316)	$ 1,631,568
Assets limited as to use	291,679	11	—	—	291,690
Accounts receivable, net	249,783	751,712	427,956	—	1,429,451
Receivables (payables) from SHC and LPCH, net	98,832	—	—	(98,832)	—
Prepaid expenses and other assets	140,611	295,524	96,544	(83,907)	448,772
Pledges receivable, net	1,321,657	62,396	144,393	(58,760)	1,469,686
Student loans receivable, net	51,998	—	—	—	51,998
Faculty and staff mortgages and other loans receivable, net	797,088	—	—	—	797,088
Investments at fair value	35,291,628	2,535,747	984,513	7,316	38,819,204
Plant facilities, net of accumulated depreciation	7,270,282	3,691,015	1,902,190	—	12,863,487
Works of art and special collections	—	—	—	—	—
TOTAL ASSETS	**$ 46,370,111**	**$ 7,841,914**	**$ 3,832,418**	**$ (241,499)**	**$ 57,802,944**
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$ 902,563	$ 1,447,709	$ 329,515	$ (161,187)	$ 2,518,600
Liabilities associated with investments	758,161	—	—	—	758,161
Deferred income and other obligations	1,241,915	142,604	38,796	—	1,423,315
Accrued pension and postretirement benefit obligations	679,753	93,539	26,021	—	799,313
Notes and bonds payable	4,247,335	1,935,414	892,095	—	7,074,844
U.S. government refundable loan funds	39,745	—	—	—	39,745
TOTAL LIABILITIES	**7,869,472**	**3,619,266**	**1,286,427**	**(161,187)**	**12,613,978**
NET ASSETS:					
Without donor restrictions, including non-controlling interest attributable to SHC of $80,312	21,653,055	3,545,875	1,947,073	(80,312)	27,065,691
With donor restrictions	16,847,584	676,773	598,918	—	18,123,275
TOTAL NET ASSETS	**38,500,639**	**4,222,648**	**2,545,991**	**(80,312)**	**45,188,966**
TOTAL LIABILITIES AND NET ASSETS	**$ 46,370,111**	**$ 7,841,914**	**$ 3,832,418**	**$ (241,499)**	**$ 57,802,944**

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the year ended August 31, 2020 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS					
OPERATING REVENUES:					
TOTAL STUDENT INCOME, NET	**$ 610,172**	**$ —**	**$ —**	**$ —**	**$ 610,172**
Sponsored support:					
Direct costs - University	858,422	—	—	—	858,422
Direct costs - SLAC National Accelerator Laboratory	484,823	—	—	—	484,823
Indirect costs	278,635	—	—	—	278,635
TOTAL SPONSORED SUPPORT	**1,621,880**	**—**	**—**	**—**	**1,621,880**
Health care services:					
Net patient service revenue	—	5,140,938	1,883,862	(38,207)	6,986,593
Premium revenue	—	116,971	—	—	116,971
Physicians' services and support - SHC and LPCH, net	1,235,774	—	—	(1,235,774)	—
Physicians' services and support - other facilities, net	42,872	—	—	(9,848)	33,024
TOTAL HEALTH CARE SERVICES	**1,278,646**	**5,257,909**	**1,883,862**	**(1,283,829)**	**7,136,588**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**289,908**	**1,703**	**4,115**	**—**	**295,726**
Net assets released from restrictions:					
Payments received on pledges	184,442	2,591	—	—	187,033
Prior year gifts released from donor restrictions	59,481	4,996	5,828	—	70,305
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**243,923**	**7,587**	**5,828**	**—**	**257,338**
Investment income distributed for operations:					
Endowment	1,355,058	519	17,390	—	1,372,967
Expendable funds pools and other investment income	287,136	1,014	—	—	288,150
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,642,194**	**1,533**	**17,390**	**—**	**1,661,117**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**420,363**	**298,844**	**153,389**	**—**	**872,596**
TOTAL OPERATING REVENUES	**6,107,086**	**5,567,576**	**2,064,584**	**(1,283,829)**	**12,455,417**
OPERATING EXPENSES:					
Salaries and benefits	3,962,140	2,548,259	935,330	—	7,445,729
Depreciation	437,194	255,079	121,130	—	813,403
Other operating expenses	1,666,591	2,743,194	962,999	(1,283,829)	4,088,955
TOTAL OPERATING EXPENSES	**6,065,925**	**5,546,532**	**2,019,459**	**(1,283,829)**	**12,348,087**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 41,161**	**$ 21,044**	**$ 45,125**	**$ —**	**$ 107,330**

CONSOLIDATING STATEMENTS OF ACTIVITIES, Continued

For the year ended August 31, 2020 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)					
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 41,161**	**$ 21,044**	**$ 45,125**	**$ —**	**$ 107,330**
NON-OPERATING ACTIVITIES:					
Increase in reinvested gains	516,024	224,036	52,070	—	792,130
Donor advised funds, net	61,723	—	—	—	61,723
Current year gifts not included in operations	2,026	—	—	—	2,026
Equity and fund transfers, net	135,339	(98,745)	(36,594)	—	—
Capital and other gifts released from restrictions	296,492	558,467	123,907	—	978,866
Pension and other postemployment benefit related changes other than service cost	96,287	(1,028)	(3,467)	—	91,792
Transfer to net assets with donor restrictions, net	(128,935)	—	—	—	(128,935)
Swap interest and change in value of swap agreements	(8,314)	(53,722)	—	—	(62,036)
Non-controlling interest attributable to SHC	20,847	—	—	(20,847)	—
Other	(411)	(2,022)	621	—	(1,812)
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**1,032,239**	**648,030**	**181,662**	**(20,847)**	**1,841,084**
NET ASSETS WITH DONOR RESTRICTIONS					
Gifts and pledges, net	684,985	22,084	32,172	—	739,241
Increase in reinvested gains	484,730	3,814	30,879	—	519,423
Change in value of split-interest agreements, net	14,414	—	1,879	—	16,293
Net assets released to operations	(243,923)	(10,823)	(27,333)	—	(282,079)
Capital and other gifts released to net assets without donor restrictions	(296,492)	(558,467)	(123,907)	—	(978,866)
Gift transfers, net	(334)	314	20	—	—
Transfer from net assets without donor restrictions, net	128,935	—	—	—	128,935
Other	189	(152)	(175)	—	(138)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**772,504**	**(543,230)**	**(86,465)**	**—**	**142,809**
NET CHANGE IN TOTAL NET ASSETS	**1,804,743**	**104,800**	**95,197**	**(20,847)**	**1,983,893**
Total net assets, beginning of year	38,500,639	4,222,648	2,545,991	(80,312)	45,188,966
TOTAL NET ASSETS, END OF YEAR	**$40,305,382**	**$4,327,448**	**$2,641,188**	**$ (101,159)**	**$ 47,172,859**

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the year ended August 31, 2019 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS					
OPERATING REVENUES:					
TOTAL STUDENT INCOME, NET	**$ 652,853**	**$ —**	**$ —**	**$ —**	**$ 652,853**
Sponsored support:					
Direct costs - University	850,779	—	—	—	850,779
Direct costs - SLAC National Accelerator Laboratory	545,359	—	—	—	545,359
Indirect costs	286,782	—	—	—	286,782
TOTAL SPONSORED SUPPORT	**1,682,920**	**—**	**—**	**—**	**1,682,920**
Health care services:					
Net patient service revenue	—	5,113,052	1,837,761	(38,375)	6,912,438
Premium revenue	—	106,130	—	—	106,130
Physicians' services and support - SHC and LPCH, net	1,166,935	—	—	(1,166,935)	—
Physicians' services and support - other facilities, net	43,286	—	—	(11,182)	32,104
TOTAL HEALTH CARE SERVICES	**1,210,221**	**5,219,182**	**1,837,761**	**(1,216,492)**	**7,050,672**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**251,491**	**244**	**4,678**	**—**	**256,413**
Net assets released from restrictions:					
Payments received on pledges	149,950	3,528	—	—	153,478
Prior year gifts released from donor restrictions	62,140	6,954	6,758	—	75,852
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**212,090**	**10,482**	**6,758**	**—**	**229,330**
Investment income distributed for operations:					
Endowment	1,303,035	361	15,774	—	1,319,170
Expendable funds pools and other investment income	261,665	1,976	—	—	263,641
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,564,700**	**2,337**	**15,774**	**—**	**1,582,811**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**554,777**	**157,757**	**94,487**	**—**	**807,021**
TOTAL OPERATING REVENUES	**6,129,052**	**5,390,002**	**1,959,458**	**(1,216,492)**	**12,262,020**
OPERATING EXPENSES:					
Salaries and benefits	3,768,195	2,302,399	821,816	—	6,892,410
Depreciation	398,054	190,136	112,973	—	701,163
Other operating expenses	1,801,818	2,514,180	946,405	(1,216,492)	4,045,911
TOTAL OPERATING EXPENSES	**5,968,067**	**5,006,715**	**1,881,194**	**(1,216,492)**	**11,639,484**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 160,985**	**$ 383,287**	**$ 78,264**	**$ —**	**$ 622,536**

CONSOLIDATING STATEMENTS OF ACTIVITIES, Continued

For the year ended August 31, 2019 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)					
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 160,985**	**$ 383,287**	**$ 78,264**	**$ —**	**$ 622,536**
NON-OPERATING ACTIVITIES:					
Increase in reinvested gains	1,040,312	150,792	31,169	—	1,222,273
Donor advised funds, net	8,518	—	—	—	8,518
Current year gifts not included in operations	3,251	—	—	—	3,251
Equity and fund transfers, net	151,774	(121,262)	(30,512)	—	—
Capital and other gifts released from restrictions	91,294	977	2,664	—	94,935
Pension and other postemployment benefit related changes other than net periodic benefit expense	(145,191)	(26,422)	(6,636)	—	(178,249)
Transfer to net assets with donor restrictions, net	(117,765)	—	—	—	(117,765)
Swap interest and change in value of swap agreements	(22,599)	(146,794)	—	—	(169,393)
Non-controlling interest attributable to SHC	16,509	—	—	(16,509)	—
Other	(11,438)	1,172	(1,298)	—	(11,564)
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**1,175,650**	**241,750**	**73,651**	**(16,509)**	**1,474,542**
NET ASSETS WITH DONOR RESTRICTIONS					
Gifts and pledges, net	525,580	31,079	33,760	—	590,419
Increase in reinvested gains	90,562	2,991	20,700	—	114,253
Change in value of split-interest agreements, net	3,802	—	25	—	3,827
Net assets released to operations	(212,089)	(13,063)	(27,210)	—	(252,362)
Capital and other gifts released to net assets without donor restrictions	(91,294)	(977)	(2,664)	—	(94,935)
Gift transfers, net	(980)	857	123	—	—
Transfer from net assets without donor restrictions, net	117,765	—	—	—	117,765
Other	8,205	(1,173)	862	—	7,894
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**441,551**	**19,714**	**25,596**	**—**	**486,861**
NET CHANGE IN TOTAL NET ASSETS	**1,617,201**	**261,464**	**99,247**	**(16,509)**	**1,961,403**
Total net assets, beginning of year	36,883,438	3,961,184	2,446,744	(63,803)	43,227,563
TOTAL NET ASSETS, END OF YEAR	**$ 38,500,639**	**$ 4,222,648**	**$ 2,545,991**	**$ (80,312)**	**$ 45,188,966**

CONSOLIDATING STATEMENTS OF CASH FLOWS

For the year ended August 31, 2020 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
CASH FLOW FROM OPERATING ACTIVITIES					
Change in net assets	$ 1,804,743	$ 104,800	$ 95,197	$ (20,847)	$ 1,983,893
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:					
Depreciation	437,194	255,079	121,130	—	813,403
Amortization of bond premiums, discounts and other	12,913	(460)	(2,639)	—	9,814
Losses on disposal of plant facilities	654	—	327	—	981
Net gains on investments	(2,492,562)	(182,720)	(45,741)	—	(2,721,023)
Change in fair value of interest rate swaps	5,521	36,496	—	—	42,017
Change in split-interest agreements	45,222	—	(1,613)	—	43,609
Change in deferred tax asset and liability	57,219	—	—	—	57,219
Investment income for restricted purposes	(12,274)	—	11,369	—	(905)
Gifts restricted for long-term investments	(278,657)	(23,055)	(63,051)	—	(364,763)
Equity and fund transfers, net	(135,005)	98,431	36,574	—	—
Gifts of securities and properties	(27,432)	—	—	—	(27,432)
Other	25,950	—	—	—	25,950
Premiums received from bond issuance	—	19,885	—	—	19,885
Changes in operating assets and liabilities:					
Accounts receivable	58,006	1,339	(85,341)	—	(25,996)
Pledges receivable, net	(97,498)	15,000	13,163	—	(69,335)
Prepaid expenses and other assets	10,455	(108,485)	(9,078)	—	(107,108)
Accounts payable and accrued expenses	69,702	516,324	19,466	—	605,492
Accrued pension and postretirement benefit obligations	(81,802)	(112)	2,480	—	(79,434)
Lease liabilities	(21,174)	21,438	5,461	—	5,725
Deferred income and other obligations	73,049	28,142	30,258	—	131,449
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**(545,776)**	**782,102**	**127,962**	**(20,847)**	**343,441**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to plant facilities, net	(896,941)	(310,641)	(75,759)	—	(1,283,341)
Student, faculty and other loans:					
New loans made	(105,086)	—	—	—	(105,086)
Principal collected	65,511	—	—	—	65,511
Purchases of investments	(15,912,497)	(56,991)	(32,603)	20,772	(15,981,319)
Sales and maturities of investments	17,168,829	465,997	29,088	—	17,663,914
Change associated with short term investments	(684,461)	—	—	—	(684,461)
Swap settlement payments, net	—	(16,825)	—	—	(16,825)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	**(364,645)**	**81,540**	**(79,274)**	**20,772**	**(341,607)**
CASH FLOW FROM FINANCING ACTIVITIES					
Gifts and reinvested income for restricted purposes	329,708	24,015	73,466	—	427,189
Equity and fund transfers from Hospitals	178,727	(142,153)	(36,574)	—	—
Proceeds from borrowing	959,542	470,120	—	—	1,429,662
Repayment of notes and bonds payable	(179,792)	(74,134)	(8,245)	—	(262,171)
Bond issuance costs and interest rate swaps	(2,109)	(4,006)	—	—	(6,115)
Contributions received for split-interest agreements	55,503	—	—	—	55,503
Payments made under split-interest agreements	(46,095)	—	—	—	(46,095)
Securities lending collateral sold, net	(19,468)	—	—	—	(19,468)
Other	(14,319)	—	—	—	(14,319)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**1,261,697**	**273,842**	**28,647**	**—**	**1,564,186**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**351,276**	**1,137,484**	**77,335**	**(75)**	**1,566,020**
Cash and cash equivalents, beginning of year	1,237,809	505,520	276,822	(7,316)	2,012,835
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,589,085**	**$1,643,004**	**$354,157**	**$ (7,391)**	**$ 3,578,855**
SUPPLEMENTAL DATA:					
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 1,153,303	$1,642,912	$ 354,157	$ (7,391)	$ 3,142,981
Restricted cash included in assets limited as to use	—	92	—	—	92
Restricted cash included in other assets	44,168	—	—	—	44,168
Cash and restricted cash included in investments	391,614	—	—	—	391,614
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE STATEMENTS OF CASH FLOWS	**$ 1,589,085**	**$1,643,004**	**$354,157**	**$ (7,391)**	**$ 3,578,855**
Interest paid, net of capitalized interest	$ 146,730	$ 69,105	$ 36,072	$ —	$ 251,907
Change in payables for plant facilities	$ (53,799)	$ (100,190)	$ (16,669)	$ —	$ (170,658)
Right-of-use assets obtained in exchange for lease liabilities	$ 226,202	$ 96,491	$ 124,323	$ —	$ 447,016

CONSOLIDATING STATEMENTS OF CASH FLOWS

For the year ended August 31, 2019 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
CASH FLOW FROM OPERATING ACTIVITIES					
Change in net assets	$ 1,617,201	$ 261,464	$ 99,247	$ (16,509)	$ 1,961,403
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:					
Depreciation	398,054	190,136	112,973	—	701,163
Amortization of bond premiums, discounts and other	(17,782)	(1,258)	40	—	(19,000)
Gains on disposal of plant facilities	(3,820)	—	—	—	(3,820)
Net gains on investments	(2,453,967)	(106,380)	(33,768)	—	(2,594,115)
Change in fair value of interest rate swaps	20,580	134,269	—	—	154,849
Change in split-interest agreements	28,347	—	202	—	28,549
Change in deferred tax asset and liability	15,350	—	—	—	15,350
Investment income for restricted purposes	(13,377)	—	—	—	(13,377)
Gifts restricted for long-term investments	(249,734)	(45,967)	(54,460)	—	(350,161)
Equity and fund transfers, net	(150,794)	120,406	30,388	—	—
Gifts of securities and properties	(28,660)	—	—	—	(28,660)
Other	8,981	—	—	—	8,981
Premiums received from bond issuance	158,169	—	—	—	158,169
Changes in operating assets and liabilities:					
Accounts receivable	52,776	(94,670)	(84,316)	—	(126,210)
Pledges receivable, net	(52,721)	22,139	(23,584)	—	(54,166)
Prepaid expenses and other assets	(3,276)	(57,534)	(5,758)	—	(66,568)
Accounts payable and accrued expenses	66,519	142,501	(17,746)	—	191,274
Accrued pension and postretirement benefit obligations	161,200	26,743	6,778	—	194,721
Deferred income and other obligations	68,294	48,984	38,796	—	156,074
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**(378,660)**	**640,833**	**68,792**	**(16,509)**	**314,456**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to plant facilities, net	(1,218,342)	(553,642)	(148,341)	—	(1,920,325)
Student, faculty and other loans:					
New loans made	(142,331)	—	—	—	(142,331)
Principal collected	66,276	—	—	—	66,276
Purchases of investments	(13,077,316)	(594,575)	(18,394)	16,346	(13,673,939)
Sales and maturities of investments	14,476,601	449,165	14,371	—	14,940,137
Change associated with short term investments	375,581	—	—	—	375,581
Swap settlement payments, net	—	(12,595)	—	—	(12,595)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	**480,469**	**(711,647)**	**(152,364)**	**16,346**	**(367,196)**
CASH FLOW FROM FINANCING ACTIVITIES					
Gifts and reinvested income for restricted purposes	299,436	45,952	80,027	—	425,415
Equity and fund transfers from Hospitals	137,348	(107,166)	(30,182)	—	—
Proceeds from borrowing	971,445	—	30,000	—	1,001,445
Repayment of notes and bonds payable	(696,711)	(14,610)	(7,920)	—	(719,241)
Bond issuance costs and interest rate swaps	(2,037)	(98)	—	—	(2,135)
Contributions received for split-interest agreements	27,921	—	—	—	27,921
Payments made under split-interest agreements	(42,989)	—	—	—	(42,989)
Securities lending collateral sold, net	(57,215)	—	—	—	(57,215)
Change in liabilities associated with investments	(11,237)	—	—	—	(11,237)
Other	16,563	—	—	—	16,563
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	**642,524**	**(75,922)**	**71,925**	**—**	**638,527**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**744,333**	**(146,736)**	**(11,647)**	**(163)**	**585,787**
Cash and cash equivalents, beginning of year	493,476	652,256	288,469	(7,153)	1,427,048
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,237,809**	**$ 505,520**	**$ 276,822**	**$ (7,316)**	**$ 2,012,835**
SUPPLEMENTAL DATA:					
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 856,553	$ 505,509	$ 276,822	$ (7,316)	$ 1,631,568
Restricted cash and cash equivalents included in assets limited as to use	94,896	11	—	—	94,907
Restricted cash included in other assets	49,203	—	—	—	49,203
Cash and restricted cash included in investments	237,157	—	—	—	237,157
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE STATEMENTS OF CASH FLOWS	**$ 1,237,809**	**$ 505,520**	**$ 276,822**	**$ (7,316)**	**$ 2,012,835**
Interest paid, net of capitalized interest	$ 119,696	$ 43,602	$ 36,766	$ —	$ 200,064
Change in payables for plant facilities	$ (70,706)	$ 48,461	$ (24,890)	$ —	$ (47,135)

Stanford University

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APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Loan Agreement that are not described elsewhere in this Official Statement. The Series V-2 Bonds are issued and secured pursuant to the Indenture and the Loan Agreement. References to the Indenture, the Loan Agreement, or a fund or account refer to the related document, fund or account with respect to the Series V-2 Bonds, as described in this Official Statement. Unless otherwise specified to the contrary in this Appendix B, all definitions and provisions summarized refer to the Indenture and the Loan Agreement. These summaries do not purport to be comprehensive and reference should be made to the Indenture and the Loan Agreement for a full and complete statement of their provisions.

DEFINITIONS OF CERTAIN TERMS

Unless the context otherwise requires, the terms defined in this summary shall, for all purposes of this summary, have the meanings herein specified, to be equally applicable to both singular and plural forms of any of the terms herein defined. Unless otherwise defined in this summary, all terms used herein or elsewhere in the Official Statement shall have the meanings assigned to such terms in the Indenture or the Act, as applicable.

"Act" means the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Act of Bankruptcy" of the Authority or the Borrower means any of the following with respect to such party:

(1) the commencement by such party of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws;

(2) the filing of a petition with a court having jurisdiction over such party to commence an involuntary case against such party under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws, which shall not have been stayed or dismissed within 60 days;

(3) such party shall admit in writing its inability to pay its debts generally as they become due;

(4) a receiver, trustee or liquidator of such party shall be appointed in any proceeding brought against such party;

(5) the making of a general assignment by such party for the benefit of its creditors; or

(6) the entry by such party into an agreement of composition with its creditors.

"Additional Payments" means the payments to be made by the Borrower to the Trustee or the Authority in accordance with the Loan Agreement.

"Administrative Fees and Expenses" means the reasonable and necessary application, commitment, financing or similar fees and expenses charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee pursuant to the Loan Agreement or the Indenture.

"Authority" means the California Educational Facilities Authority, a public instrumentality of the State established by the Act.

"Authorized Representative" means, (1) with respect to the Authority, its Chair (or any Deputy), Executive Director or any other Person or Persons designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair (or any Deputy) or Executive Director and (2) with respect to the Borrower, its Chief Financial Officer, its Treasurer, its Senior Associate Vice President of Finance or such other person as may be designated to sign for the Borrower by a Certificate of the Borrower signed by its Chief Financial Officer, its Treasurer or its Senior Associate Vice President of Finance and furnished to the Trustee. Such authorizations shall remain in effect until the Trustee has received a written notice to the contrary, accompanied by a new designation.

"Bonds," as the term is used in the Indenture and in this Appendix B, means the California Educational Facilities Authority Revenue Bonds (Stanford University), Series V-1, together with any additional Series of Bonds, authorized by, and at any time Outstanding pursuant to, the Indenture, including the Series V-2 Bonds.

"Borrower" means The Board of Trustees of the Leland Stanford Junior University, a body duly exercising corporate powers and privileges pursuant to the Constitution and laws of the State, and its successors or assigns or any co-obligor permitted pursuant to the Loan Agreement.

"Business Day" means any day other than a Saturday or a Sunday or a day on which banking institutions located in the city in which the Principal Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed.

"Certificate," "Statement," "Request," "Order" or "Requisition" of the Authority or the Borrower mean, respectively, a written certificate, statement, request, order or requisition signed in the name of the Authority by its Chair or a deputy thereto or its Executive Director or by any other person who is specifically authorized by a resolution of the Authority to execute such a document on its behalf, or in the name of the Borrower by an Authorized Representative of the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor code or law and any regulations in effect or promulgated thereunder.

"Continuing Disclosure Agreement" means each Continuing Disclosure Agreement, dated the date of issuance and delivery of the Bonds, between the Borrower and the Trustee, as originally executed and as it may be amended in accordance with its terms.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry-system to record ownership of book-entry interests in Bonds, and to effect transfers of book-entry interests in Bonds in book-entry form, and includes, and means initially, The Depository Trust Company, New York, New York.

"Favorable Opinion of Bond Counsel" means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of April 1, 2021, between the Authority and the Trustee, authorizing the Series V-2 Bonds.

"First Supplemental Loan Agreement" means the First Supplemental Loan Agreement, dated as of April 1, 2021, between the Authority and the Borrower, relating to the Series V-2 Bonds.

"Fitch" means Fitch Ratings, Inc., and its successors or assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Authority following receipt of a Request of the Borrower.

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

"Indenture" means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions thereof.

"Interest Payment Date" means, with respect to the Series V-2 Bonds, April 1 and October 1 in each year, commencing October 1, 2021.

"Investment Securities" means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested (the Trustee is entitled to rely upon any investment direction from the Borrower as a certification that such investment is a legal investment under the Act and constitutes an Investment Security):

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

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (a) U.S. Export-Import Bank ("Eximbank"), (b) Farmers Home Administration ("FmHA"), (c) Federal Financing Bank, (d) Federal Housing Administration Debentures ("FHA"), (e) General Services Administration, (f) Government National Mortgage Association ("GNMA" or "Ginnie Mae"), (g) U.S. Maritime Administration, and (h) U.S. Department of Housing and Urban Development ("HUD");

(3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (a) Federal Home Loan Bank System, (b) Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), (c) Federal National Mortgage Association ("FNMA" or "Fannie Mae"), (d) Student Loan Marketing Association ("SLMA" or "Sallie Mae"), (e) Resolution Funding Corp. ("REFCORP") obligations, and (f) Farm Credit System;

(4) money market mutual funds have a rating in the highest investment category granted thereby from S&P or Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains fee from funds for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(5) certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee on behalf of the Bondholders must have a perfected first security interest in collateral;

(6) certificates of deposit, savings accounts, bank deposit products, trust accounts, overnight bank deposits, interest bearing accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) investment agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements;

(8) commercial paper rated, at the time of purchase, "Prime – 1" by Moody's and "A-1" or better by S&P;

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

(10) federal funds or bankers acceptances with a maximum term of one year of any bank or bank deposit products including those with the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(11) repurchase agreements ("repos"), which must meet the following criteria:

(a) repos must be between the Trustee and a dealer bank or securities firm that is: (i) a primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by S&P and Moody's, or (ii) a bank rated "A" or above by S&P and Moody's;

(b) the written repo contract must include the following: (i) securities which are acceptable for transfer are direct U.S. governments, or federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC), (ii) the term of the repo may be up to 30 days, (iii) the collateral must be delivered to the Trustee (if the Trustee is supplying the collateral) or its agent before/simultaneous with payment (perfection by possession of certificated securities), (iv) the securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are BNMA or FHLMC, then the value of collateral must equal 105%; and

(12) any other investment approved in writing by the Authority.

"Loan Agreement" means that certain loan agreement, between the Authority and the Borrower, as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

"Moody's" means Moody's Investors Service, Inc., and its successors or assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Borrower by notice to the Authority and the Trustee.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"Notice by Mail" or "notice" of any action or condition "by Mail" means a written notice meeting the requirements of the Indenture mailed by first-class mail to the Holders of specified registered Bonds, at the addresses shown on the registration books maintained pursuant to the Indenture.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority) selected by the Authority and reasonably acceptable to the Borrower. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

"*Outstanding*" when used as of any particular time with reference to Bonds (subject to the provisions of the Indenture), means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) on or after any purchase date for Variable Rate Bonds, all Variable Rate Bonds (or portions of Variable Rate Bonds) which have been purchased on such date, but which have not been delivered to the tender agent, provided that funds sufficient for such purchase are on deposit with the tender agent in accordance with the provisions of the Indenture; (3) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture; and (4) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Payment Date" means any date on which principal on the Bonds of any Series is due and payable, whether by reason of maturity or of redemption from mandatory sinking account payments, if any, established in connection with such Series of Bonds.

"Rating Agency" means Moody's, S&P or Fitch.

"Record Date" means, with respect to any Interest Payment Date for the Series V-2 Bonds, the fifteenth day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day, and, with respect to any Interest Payment Date for any additional Series of Bonds, the date or dates so indicated in the Supplemental Indenture for such Series.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon the date fixed for redemption thereof pursuant to the provisions of such Bond and the Indenture.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Rating Services, and its successors or assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the

functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Borrower by notice to the Authority and the Trustee.

"*Series*" when used with respect to the Bonds, means all the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, and any Bonds thereafter authenticated and delivered upon a transfer or exchange or in view of or in substitution for such Bonds.

"Series V-1 Bonds" means the California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-1, authorized by, and at any time Outstanding pursuant to the Indenture.

"*Series V-2 Base Loan Payments*" means the payments required to be made by the Borrower to the Trustee for the account of the Authority in accordance with the First Supplemental Loan Agreement for the payment of the principal (whether at maturity or upon prior redemption) of and interest to the date fixed for redemption or maturity and premium, if any, on the Series V-2 Bonds.

"*Series V-2 Bonds*" means the California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-2, authorized to be issued pursuant to the First Supplemental Indenture.

"*Series V-2 Event of Default*" means any of the events specified in the provisions of the Indenture summarized below under "INDENTURE – Series V-2 Events of Default; Remedies on Default."

"*Series V-2 Funds and Accounts*" means the funds and accounts held by the Trustee and established under the Indenture described below under "INDENTURE – Establishment of Series V-2 Funds and Accounts."

"*Series V-2 Loan Default Event*" means any of the events of default specified in the provisions of the Loan Agreement summarized below under "LOAN AGREEMENT – Events of Default; Remedies on Default."

"*Series V-2 Revenues*" means all payments received by the Authority or the Trustee from the Borrower related to the Series V-2 Bonds pursuant or with respect to the Loan Agreement (except Additional Payments paid by the Borrower pursuant to the Loan Agreement, any indemnification amounts paid by the Borrower pursuant to the Loan Agreement and amounts received for or on deposit in the Series V-2 Rebate Account), including, without limiting the generality of the foregoing, Series V-2 Base Loan Payments (including both timely and delinquent payments), prepayments, and all income derived from the investment of any money in any fund or account held by the Trustee and established pursuant to the Indenture.

"*Supplemental Indenture*" means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture.

"Tax Agreement" means that certain Tax Certificate and Agreement entered into between the Authority and the Borrower at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Variable Rate Bonds" means Bonds that bear interest at a variable rate or rates.

INDENTURE

The Indenture sets forth the terms of the Series V-2 Bonds, the nature and extent of the security, various rights of the Bondholders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority. Certain provisions of the Indenture are summarized in this Official Statement under the captions "THE SERIES V-2 BONDS" and "SECURITY FOR THE SERIES V-2 BONDS." Other provisions are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Terms of the Series V-2 Bonds

The Series V-2 Bonds shall be dated as of the date of original delivery of the Series V-2 Bonds, and shall bear interest from the Interest Payment Date to which interest has been paid as of the date on which such Bonds are authenticated or, if they are authenticated on or before the Record Date for the first Interest Payment Date, from their date of delivery; provided, however, that if, at the time of authentication of any Bonds of a Series, interest is in default on Outstanding Bonds of such Series, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds of such Series. Interest on the Series V-2 Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months and shall be payable in arrears on each Interest Payment Date, upon maturity or upon prior redemption.

The Trustee shall not be required to transfer or exchange (i) any Bond during the 15 days next preceding the date on which notice of redemption of Bonds of such Series is given, or (ii) any Bond called for redemption.

Pledge and Assignment of Series V-2 Revenues

The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Series V-2 Revenues and any other amounts (including proceeds of the sale of Series V-2 Bonds) held in the Series V-2 Funds and Accounts (other than the Series V-2 Rebate Account); all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive and to enforce its rights with respect to any Administrative Fees and Expenses or Additional Payments to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of the Borrower to make deposits pursuant to the Tax Agreement). The Trustee shall be entitled to, and shall collect and receive all of the Series V-2 Revenues and any Series V-2 Revenues collected or received by the Authority shall be deemed to be held and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to, and shall, take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Authority and all of the obligations of the Borrower under the Loan Agreement.

Establishment of Series V-2 Funds and Accounts

The Indenture creates a Stanford University Series V-2 Project Construction Fund, a Stanford University Series V-2 TECP Repayment Fund, a Series V-2 Bond Fund (and a Series V-2 Interest Account and a Series V-2 Principal Account therein), a Series V-2 Redemption Fund (and a Series V-2 Optional Redemption Account therein) and a Series V-2 Rebate Fund, all of which are to be held by the Trustee.

Stanford University Series V-2 Project Construction Fund. The moneys, if any, in the Stanford University Series V-2 Project Construction Fund shall be transferred by the Trustee to the Borrower pursuant to the Indenture and applied by the Borrower in accordance with the Loan Agreement to pay costs of the Series V Project (which is described in the Indenture).

Stanford University Series V-2 TECP Repayment Fund. The moneys, if any, in the Stanford University Series V-2 TECP Repayment Fund shall be transferred by the Trustee to the Borrower pursuant to the Indenture and applied by the Borrower in accordance with the Loan Agreement to repay tax-exempt commercial paper notes.

Series V-2 Bond Fund. The moneys in the Series V-2 Bond Fund shall be used, withdrawn and disbursed by the Trustee pursuant to the Indenture.

Series V-2 Interest Account. Moneys in the Series V-2 Interest Account shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall deposit the following Series V-2 Revenues in the Series V-2 Interest Account when and as such Series V-2 Revenues are received: (1) the interest component of all Series V-2 Base Loan Payments, including the interest component of all cash prepayments of Series V-2 Base Loan Payments made pursuant to the Loan Agreement; (2) all interest, profits and other income received from the investment of moneys in the Series V-2 Interest Account; and (3) any other Series V-2 Revenues not required to be deposited in any other fund or account established pursuant to the Indenture.

All amounts in the Series V-2 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series V-2 Bonds as the same becomes due and payable (including accrued interest with respect to any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Series V-2 Principal Account. The Trustee shall deposit the following Series V-2 Revenues in the Series V-2 Principal Account when and as such Series V-2 Revenues are received: (1) the principal component of all Series V-2 Base Loan Payments, but excluding the principal component of all cash prepayments of Series V-2 Base Loan Payments made pursuant to the Loan Agreement, which shall be deposited in the Series V-2 Redemption Fund; and (2) all interest, profits and other income received from the investment of moneys in the Series V-2 Principal Account.

Series V-2 Redemption Fund. The Trustee shall deposit the following Series V-2 Revenues in the Series V-2 Optional Redemption Account when and as such Series V-2 Revenues are received: (1) except as provided in the following paragraph, the principal component of all cash prepayments of Series V-2 Base Loan Payments made pursuant to the Loan Agreement; and (2) all interest, profits and other income received from the investment of moneys in the Series V-2 Optional Redemption Account.

All amounts deposited in the Series V-2 Optional Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Series V-2 Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Series V-2 Optional Redemption Account; provided, however that, at any time prior to giving of such notice of redemption, the Trustee shall, upon direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Series V-2 Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series V-2 Bonds (or, if the Series V-2 Bonds are not then subject to redemption, the par value of such Series V-2 Bonds); and provided further that, in the case of the Series

V-2 Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Series V-2 Bond Fund and credited against Series V-2 Base Loan Payments in order of their due date as set forth in a Request of the Borrower.

Series V-2 Rebate Account. The Series V-2 Rebate Account is established within the Rebate Fund. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Series V-2 Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement related to the Series V-2 Bonds), for payment to the federal government of the United States of America. Neither the Authority, the Borrower nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Series V-2 Rebate Account shall be governed by the Indenture and by the Tax Agreement related to the Series V-2 Bonds.

Issuance of Additional Series of Bonds

The Authority may issue additional Series of Bonds under the Indenture at any time at the request of the Borrower. Each such additional Series of Bonds shall be executed by the Authority for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority upon its order, but only upon receipt by the Trustee of the following:

(1) An original executed copy of the Supplemental Indenture authorizing such Series of Bonds, which Supplemental Indenture shall specify (a) the purpose for which such Series of Bonds is being issued, provided, that such Series of Bonds shall be approved solely for financing or refinancing the Series V Project; (b) the authorized principal amount and denominations of such Series of Bonds; (c) whether such Bonds shall bear interest at a fixed rate or shall be Variable Rate Bonds, and, if such Bonds are to be Variable Rate Bonds, the tender, remarketing and interest rate provisions for such Series; (d) whether the interest on such Bonds shall be federally taxable or tax-exempt; (e) the Series designation of such Bonds, the date or dates, the Interest Payment Dates, the Principal Payment Dates and the maturity date or dates of such Bonds; (f) the manner of dating and numbering such Bonds; (g) the place or places of payment of the principal or redemption, tender or purchase price, and the manner of payment of interest on, such Bonds; (h) any redemption, tender or purchase provisions for such Bonds; (i) the amount and due date of each mandatory sinking account payment, if any, for such Bonds; (j) the amounts to be deposited in the funds and accounts created and established by the Indenture and the Supplemental Indenture authorizing such Bonds; (k) the form of such Bond and whether it is a replacement Bond or a newly issued, additional Bond; and (l) any other provisions deemed advisable by the Authority or the Borrower that are not in conflict with the provisions of the Indenture;

(2) An original executed copy of the Supplemental Loan Agreement with respect to such Series of Bonds;

(3) An original executed copy of the bond purchase contract, or supplement thereto, with respect to such Series of Bonds;

(4) An official statement, or supplement thereto, with respect to such Series of Bonds;

(5) A Written Request of the Authority to the Trustee (i) requesting that the Trustee authenticate such Bonds, (ii) stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and (iii) stating that the resolution of the Authority authorizing the issuance of such Bonds was duly adopted and is in full force and effect as of the date of issuance of such Bonds;

(6) A Certificate, Request and Consent of the Borrower with respect to such Bonds;

(7) A continuing disclosure agreement, or supplement thereto, for such Bonds, if required by law;

(8) A tax certificate, or supplement thereto, relating to such Bonds;

(9) Agreements with any liquidity provider or any agents for remarketing or conducting auctions with respect to Variable Rate Bonds;

(10) An opinion of counsel to the Authority with respect to such Bonds in substantially the form delivered by counsel to the Authority in connection with the issuance of the Series V-1 Bonds under the Indenture;

(11) An opinion of Bond Counsel with respect to such Bonds in substantially the form delivered by Bond Counsel in connection with the issuance of the Series V-1 Bonds under the Indenture (allowing for such changes to such opinion as are necessary or appropriate to reflect the tax treatment of such Bonds); and

(12) An opinion of Borrower's counsel with respect to such Bonds in substantially the form delivered by Borrower's counsel in connection with the issuance of the Series V-1 Bonds under the Indenture.

Proceeds of each Series of Bonds shall be applied as specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Series V-2 Events of Default; Remedies on Default

The following events are Series V-2 Events of Default under the Indenture: (a) default in the due and punctual payment of the principal or Redemption Price of any Series V-2 Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration of acceleration, by proceedings for redemption, or otherwise; (b) default in the due and punctual payment of any installment of interest on any Series V-2 Bond when and as such interest installment shall become due and payable; (c) failure to pay the purchase price of any Variable Rate Bond of the Series V-2 Bonds required to be purchased when due and payable if a liquidity facility is not in effect; (d) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture (but only if such default is applicable to, or with respect to, the Series V-2 Bonds or in the Series V-2 Bonds, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Borrower by the Trustee, or to the Authority, the Borrower and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Series V-2 Bonds at the time Outstanding; or (e) a Series V-2 Loan Default Event.

Upon actual knowledge of the existence of any Series V-2 Event of Default, the Trustee shall notify the Borrower and the Authority in writing as soon as practicable; provided, however, that the Trustee need not provide notice of any Series V-2 Loan Default Event if the Borrower has expressly acknowledged the existence of such Series V-2 Loan Default Event in a writing delivered to the Trustee, the Borrower and the Authority.

Whenever any Series V-2 Event of Default shall have occurred and be continuing, the Trustee may take the following remedial steps:

(a) In each and every such case during the continuance of such a Series V-2 Event of Default, unless the principal of all the Series V-2 Bonds has already become due and payable, the Trustee, by notice in writing to the Authority, may, and, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Series V-2 Bonds at the time Outstanding, shall, declare the principal of all the Series V-2 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Series V-2 Bonds contained to the contrary notwithstanding;

(b) In the case of any Series V-2 Event of Default described in (d) of the first paragraph of this section, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under the Indenture applicable to, or with respect to, the Series V-2 Bonds; and

(c) In the case of a Series V-2 Event of Default described in (e) of the first paragraph of this section, the Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Loan Agreement in order to remedy the Series V-2 Loan Default Event.

The Trustee shall give notice of any declaration described in subsection (a) above to each Rating Agency then rating the Series V-2 Bonds; provided that failure to give any such Notice shall not affect the sufficiency of the proceedings for such declaration. Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the Borrower shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Series V-2 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Series V-2 Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Series V-2 Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall, on behalf of the Holders of all of the Series V-2 Bonds, annul such declaration and its consequences and waive such default; but no such annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

If one or more Series V-2 Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in aggregate principal amount of the Series V-2 Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of Series V-2 Bonds under the Act or under the Loan Agreement or the Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture.

Limitation on Bondholder's Right to Sue

No Holder of any Series V-2 Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect to such Series V-2 Bond; provided, however, the Holders of at least a majority in aggregate principal amount of the Series V-2 Bonds then Outstanding may institute such a suit, action or proceeding at law or in equity, for the protection or enforcement of a right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect to the Series V-2 Bonds, if (1) such Holder or said Holders shall have given to the Trustee written notice of the occurrence of a Series V-2 Event of Default; (2) such Holder or said Holders shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Amendment of Indenture and Loan Agreement

The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at anytime by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof (except as may be permitted with respect to Variable Rate Bonds), without the consent of the Holder of each Bond so affected, or (2) reduce the percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding.

The Indenture may also be modified or amended but without the necessity of obtaining the consent of any Bondholders, for one or more of the following purposes: (1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority, provided, that no such covenant, agreement, pledge, assignment or surrender shall, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority or the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not, as evidenced by a Certificate of the Borrower or the Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; (3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended; as amended, or any similar federal statute after in effect, if required by such act or statute, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, as evidenced by a Certificate of the Borrower or the Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds (4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; (5) to facilitate (i) the transfer of Bonds from one Depository to another in the succession of Depositories, or (ii) the withdrawal from a Depository of Bonds held in a Book-Entry System and the issuance of replacement Bonds in fully registered form to Persons other than a Depository; (6) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (7) to make any amendments appropriate or necessary to provide for any insurance policy, letter of credit, guaranty, surety bond, line of credit, revolving credit agreement, standby bond purchase agreement or other agreement or security device delivered to the Trustee and providing for (i) payment of the principal, interest and redemption premium on the Bonds or a portion thereof, (ii) payment of the purchase price of Variable Rate Bonds or (iii) both (i) and (ii); (8) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds; (9) to provide for the issuance of an additional Series of Bonds pursuant to the Indenture, including any amendments appropriate or necessary to provide for issuance of Variable Rate Bonds or an additional Series of Bonds the interest on which is subject to federal income taxation; provided, that no such amendment shall, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; or (10) to modify, alter, amend or supplement the Indenture in any other respect which is not, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adverse to the Bondholders.

Except as provided in the Indenture, the Authority shall not supplement, amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if but only if (1) it has received a Certificate of the Borrower to the effect that such amendment, modification or termination will not materially and adversely affect the interests of the Holders of the Bonds (which Certificate of the Borrower may be based on certifications, opinions or representations of other parties in accordance with the provisions of the Indenture); provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Borrower shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or in lieu of making such determination, the Trustee may obtain the consent of the Holders holding a majority in aggregate principal amount of the Bonds, or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Base Loan Payments to be made to the Authority or the Trustee by the Borrower pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

The Loan Agreement may also be supplemented, modified or amended from time to time and at any time by the Authority without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Authority or the Borrower contained in the Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority or the Borrower, provided, that, as evidenced by a Certificate of the Borrower, no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Loan Agreement or the Indenture, and, as evidenced by a Certificate of the Borrower, which shall not materially adversely affect the interests of the Holders of the Bonds; (3) in connection with the issuance of an additional Series of Bonds pursuant to the Indenture; or (4) to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Bonds, as evidenced by a Favorable Opinion of Bond Counsel delivered to the Trustee.

Defeasance

The Bonds may be paid by the Authority or the Trustee on behalf of the Authority in any 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 maturity, moneys or securities in the necessary amount (as provided in the Indenture) to pay when due or redeem all Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding. If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority and the Borrower shall have paid all Administrative Fees and Expenses payable to the Authority pursuant to the Loan Agreement, then and in that case at the election of the Authority and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied.

Governing Law

The laws of the State of California govern all matters arising out of or relating to the Indenture and the Bonds, including, without limitation, their validity, interpretation, construction, performance and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to the Indenture must bring the legal action or proceeding in Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party to the Indenture has agreed that the exclusive (subject to waiver as set forth therein) choice of forum set forth as described therein does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party to the Indenture has waived, to the fullest extent permitted by law, (a) any objection which may have to the laying of venue of any legal action or proceeding arising out of or relating to the Indenture brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

LOAN AGREEMENT

The Loan Agreement provides the terms of the loan of proceeds of the Bonds to the Borrower and the repayment of and security for such loan provided by the Borrower. Certain of the provisions of the Loan Agreement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

Payment of the Series V-2 Bonds and Certain Other Expenses

Pursuant to the Loan Agreement, the Borrower agrees that it will pay to the Trustee all sums necessary for the payment of the debt service on the Series V-2 Bonds ("Series V-2 Base Loan Payments"). The Borrower shall make such Series V-2 Base Loan Payments (i) on each Interest Payment Date the full amount of the interest becoming due and payable on such Interest Payment Date on all Outstanding Series V-2 Bonds; and (ii) on each Principal Payment Date the aggregate amount of principal becoming due and payable on the Outstanding Series V-2 Bonds, plus the aggregate amount of mandatory sinking account payments, if any, required to be paid into the sinking accounts in connection with the Series V-2 Bonds, in each case on such Principal Payment Date. The Trustee is required under the Indenture to notify the Authority and the Borrower immediately if it has not received payment by the due date. The Borrower shall also make additional payments for expenses of the Trustee and the Authority, such additional payments to be billed to the Borrower by the Authority or the Trustee from time to time.

Any amounts held in the Series V-2 Interest Account within the Series V-2 Bond Fund (including any investment income credited to the Series V-2 Interest Account pursuant to the Indenture) for the payment of interest on the Series V-2 Bonds shall be credited against the Series V-2 Base Loan Payments of interest then required to be met by the Borrower to the extent such amounts are in excess of the amount required for the payment of interest accrued to the date fixed for redemption or maturity, where the Series V-2 Bonds have not been presented for payment. Any amounts held in the Series V-2 Principal Account within the Series V-2 Bond Fund (including any investment income credited to the Series V-2 Principal Account pursuant to the Indenture) for the payment of principal on the Series V-2 Bonds shall be credited against the Series V-2 Base Loan Payments of principal then required to be met by the Borrower to the extent such amounts are in excess of the amount required for the payment of any Series V-2 Bonds on the date fixed for redemption or maturity, where the Series V-2 Bonds have not been presented for payment.

The Loan Agreement also provides that if on any Interest Payment Date or Principal Payment Date, the balance in the Series V-2 Interest Account or Series V-2 Principal Account within the Series V-2 Bond Fund is insufficient or unavailable to make required payments of principal of (whether at maturity, by redemption or by acceleration as provided in the Indenture), premium, if any, and interest due on the Series V-2 Bonds on such date, the Borrower shall forthwith pay any such deficiency to the Trustee for deposit in the appropriate account within the Series V-2 Bond Fund. The Borrower acknowledges that the Trustee shall give notice: (1) to the Borrower in accordance with the Indenture at least five (5) Business Days before each Interest Payment Date of the amount, if any, credited or to be credited to the Series V-2 Interest Account by such next Interest Payment Date and the amount of the Series V-2 Base Loan Payment then due from the Borrower; and (2) to the Borrower and the Authority in accordance with the Indenture if the Borrower fails to make any required payment by the due date, such notice to be given by telephone, telecopy or electronic means followed by written notice.

Certain Covenants of the Borrower

The Borrower covenants in the Loan Agreement that, so long as any Bonds remain Outstanding:

(a) it will maintain its existence as a body duly exercising corporate powers and privileges under the Constitution and laws of the State of California and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, except under certain circumstances described in the Loan Agreement;

(b) it will maintain or cause to be maintained insurance of such type, against such risks and in such amounts, with insurance companies or by means of self-insurance, as are customarily carried by organizations of a nature similar to that of the Borrower, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability;

(c) it will furnish to the Authority and the Trustee within 180 days after the end of each of its fiscal years certain financial information as of the end of such year; and,

(d) it will not take any action or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code.

Prepayment

The Borrower shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Series V-2 Base Loan Payments and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of Investment Securities or surrender of Series V-2 Bonds, as contemplated by the Loan Agreement. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Series V-2 Bonds) shall be deposited upon receipt in the Series V-2 Redemption Fund and, at the request of, and as determined by, the Borrower, credited against the Series V-2 Base Loan Payments in the order of their due date or used for the redemption or purchase of Outstanding Series V-2 Bonds in the manner and subject to the terms and conditions set forth in the Indenture.

Amendment

The Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee, which consent shall be given in accordance with the provisions of the Indenture. See "INDENTURE – Amendment of Indenture and Loan Agreement."

Events of Default; Remedies on Default

Series V-2 Loan Default Events include:

(a) failure by the Borrower to make any Series V-2 Base Loan Payment or Additional Payment by its due date:

(b) failure by the Borrower to observe or perform any covenant, condition or agreement contained in the Loan Agreement other than paragraph (a) above, on its part to be observed or performed, for a period of 45 days after written notice thereof has been given to the Borrower by the Authority or the Trustee; provided, however, if the failure stated in the notice is correctable but cannot be corrected within 45 days, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected;

(c) the representations or warranties of the Borrower made in the Loan Agreement or in any other document, certificate or writing furnished by the Borrower to the Authority in connection with the application for or the negotiation of the Loan Agreement or the issuance of the Series V-2 Bonds being false or incorrect in any material respect; and

(d) an Act of Bankruptcy of the Borrower.

The Authority or the Trustee, in the case of any event of default, may take any one or more of the following remedial steps:

(a) declare all installments of Series V-2 Base Loan Payments payable under the Loan Agreement for the remainder of its term to be immediately due and payable; or

(b) take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement or to enforce the performance and observance of any obligation, condition or covenant of the Borrower under the Loan Agreement.

Governing Law, Venue

The laws of the State of California govern all matters arising out of or relating to the Loan Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to the Loan Agreement shall bring the legal action or proceeding in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party to the Loan Agreement has agreed that the exclusive (subject to waiver as set forth herein) choice of forum set forth herein does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party to the Loan Agreement has waived, to the fullest extent permitted by law, (a) any objection that it may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to the Loan Agreement brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

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APPENDIX C

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set forth in this Appendix C is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the "Clearing Systems") currently in effect. The information in this Appendix C concerning the Clearing Systems has been obtained from sources believed to be reliable, but neither the California Educational Facilities Authority (the "Authority") nor The Board of Trustees of the Leland Stanford Junior University (the "University") take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix C. 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 Authority and 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 Series V-2 Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

So long as Cede & Co. is the registered owner of the Series V-2 Bonds, as nominee for DTC, references herein and in the Indenture to the Series V-2 Bondholders, registered owners or owners (or similar terms) of the Series V-2 Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series V-2 Bonds.

DTC Book-Entry-Only System

DTC will act as securities depository for the Series V-2 Bonds. The Series V-2 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series V-2 Bond will be issued for each maturity of each series of the Series V-2 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series V-2 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series V-2 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series V-2 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 Series V-2 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 interest in the Series V-2 Bonds, except in the event that use of the book-entry system for the Series V-2 Bonds is discontinued.

To facilitate subsequent transfers, all Series V-2 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 Series V-2 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 Series V-2 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series V-2 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series V-2 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series V-2 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series V-2 Bonds may wish to ascertain that the nominee holding the Series V-2 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 registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series V-2 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series V-2 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series V-2 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series V-2 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 Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, the University or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series V-2 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series V-2 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series V-2 Bond certificates will be printed and delivered.

THE AUTHORITY, THE UNIVERSITY OR THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES V-2 BONDS, OR FOR ANY PRINCIPAL OF OR INTEREST PAYMENT THEREON.

The Authority, the University and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series V-2 Bonds registered in its name for the purposes of payment of the principal of, or interest on, the Series V-2 Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the Series V-2 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series V-2 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal of or interest on the Series V-2 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner.

Global Clearance Procedures

Beneficial interests in the Series V-2 Bonds may be held through DTC, Clearstream Banking, S.A. (“Clearstream”) or Euroclear Bank SA/NV (“Euroclear”) as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

Euroclear and Clearstream. Euroclear and Clearstream 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 provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

Clearing and Settlement Procedures. The Series V-2 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series V-2 Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream'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 or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream 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 participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfer Procedures. Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream 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 participants or Euroclear participants, on the other, will be effected by 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 participants or Euroclear participants may not deliver instructions directly to the depositories.

The Authority will not impose any fees in respect of holding the Series V-2 Bonds; however, holders of book-entry interests in the Series V-2 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

Initial Settlement. Interests in the Series V-2 Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series V-2 Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series V-2 Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Series V-2 Bonds against payment (value as on the date of delivery of the Series V-2 Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series V-2 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series V-2 Bonds following confirmation of receipt of payment to the Authority on the date of delivery of the Series V-2 Bonds.

Secondary Market Trading. Secondary market trades in the Series V-2 Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series V-2 Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Series V-2 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series V-2 Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series V-2 Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series V-2 Bonds, or to receive or make a payment or delivery of the Series V-2 Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Series V-2 Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Series V-2 Bonds are set forth on the inside cover of the Official Statement.

General. Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

THE AUTHORITY, THE UNIVERSITY AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated April 28, 2021, by and between The Board of Trustees of the Leland Stanford Junior University (the "University") and The Bank of New York Mellon Trust Company, N.A., bond trustee (the "Trustee") under an Indenture dated as of April 1, 2019 (the "Original Indenture"), as supplemented by the First Supplemental Indenture dated as of April 1, 2021 (together with the Original Indenture, the "Indenture"), between the California Educational Facilities Authority (the "Authority") and the Trustee, the Trustee executing this Agreement both in its capacity as Trustee and in its capacity as Dissemination Agent hereunder, is executed and delivered in connection with the issuance of the Authority's California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-2 (the "Bonds"). The proceeds of the Bonds are to be loaned by the Authority to the University pursuant to a Loan Agreement dated as of April 1, 2019 (the "Original Loan Agreement"), as supplemented by the First Supplemental Loan Agreement dated as of April 1, 2021 (together with the Original Loan Agreement, the "Loan Agreement"). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose; No Authority Responsibility or Liability. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule. The University, the Dissemination Agent and the Trustee acknowledge that the Authority has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Agreement, and shall have no liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 1.2. Annual Financial Information. (a) The University shall provide Annual Financial Information to the Dissemination Agent with respect to each fiscal year of the University, commencing with fiscal year ended August 31, 2021 by no later than one hundred and eighty (180) days after the end of the respective fiscal year. The Dissemination Agent shall provide such Annual Financial Information to the Repository and the Authority, in each case within two (2) Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the University or the Dissemination Agent to provide the Annual Financial Information by the date specified in subsection (a) above, in each case to (i) the Repository, (ii) the Authority, and (iii) if such failure is of the University, the University. Such notice shall substantially be in the form attached hereto as Exhibit A.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof, the University shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall provide any such Audited Financial Statements to the Repository and the Authority, in each case within two (2) Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

Section 1.4. Listed Event Notices. (a) If a Listed Event occurs, the University shall provide, in a timely manner, notice of such Listed Event to the Dissemination Agent. The Dissemination Agent shall provide notice of each such Listed Event received from the University to the Repository within one Business Day after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter, but in no case in excess of ten (10) Business Days after the occurrence of such Listed Event (provided that the Dissemination Agent receives notice of such Listed Event from the University prior to such date).

(b) Any such notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity and the timing of such maturity.

(c) The Trustee shall promptly advise the University and the Authority whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence of an event described herein as a "Listed Event"; provided, however, that the failure of the Trustee so to advise the University or the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture and the Trustee shall not be required to make any determination regarding materiality of any such event.

Section 1.5. Additional Disclosure Obligations. The University acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the University and that, under some circumstances, additional disclosures or other action may be required to enable the University to fully discharge all of its duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Listed Event hereunder, in addition to that which is required by this Agreement. If the University chooses to do so, the University shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Listed Event hereunder.

Section 1.7. No Previous Non-Compliance. The University represents that since April 1, 2016, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the University provides Annual Financial Information by specific reference to documents (including Official Statements) available from the Repository.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents and at one time or in part from time to time.

Section 2.3. Listed Event Notices. Each notice of a Listed Event hereunder shall be captioned "Notice of Listed Event" and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Dissemination Agent's sole determination, subject to technical and economic feasibility, the

Dissemination Agent shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the University's information and notices.

Section 2.5. Fiscal Year. (a) The University's current fiscal year is September 1 to August 31, and the University shall promptly notify the Dissemination Agent in writing of each change in its fiscal year. The Trustee shall provide such notice to the Repository and the Authority, in each case within two (2) Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve (12) calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date, Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The University's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance or payment in full of all of the Bonds.

(c) If the University's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Agreement in the same manner as if it were the University, and thereupon the original University shall have no further responsibility hereunder.

(d) This Agreement, or any provision hereof, shall be null and void in the event that (1) the University delivers to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent delivers copies of such opinion to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion within one Business Day after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Authority or the University (such as bond counsel or Dissemination Agent) and acceptable to the University, addressed to the University, the Authority and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of the Bonds pursuant to Section 9.01 of the Indenture as in effect on the date of this Agreement, and (5) the Dissemination Agent shall have delivered copies of such opinion(s) and amendment to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion(s) and amendment within one Business Day after receipt by the Dissemination Agent.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the effect that performance by the University and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Dissemination Agent shall have delivered copies of such opinion and amendment to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion and amendment within one Business Day after receipt by the Dissemination Agent or as soon as reasonably practicable thereafter.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the University in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that Beneficial Owners of the Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of the Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the University to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of the outstanding Bonds or by the Trustee on behalf of the holders of the outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of the outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University's obligations under this Agreement.

(c) Any failure by the University, the Dissemination Agent or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the University for each fiscal year of the University ended on and after August 31, 2021 to be provided in any reasonable manner and containing, in substance, such information and data as is set forth in Appendix A to the Authority's Official Statement regarding the Bonds under the headings "PART I – GENERAL INFORMATION ABOUT STANFORD UNIVERSITY – Faculty and Staff," "– Students," and "– Capital Improvement Programs" and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements for each fiscal year ended on and after August 31, 2021, if any, of the University, audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "Dissemination Agent" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the Trustee and the University a written acceptance of such designation.

(5) "GAAP" means generally accepted accounting principles as prescribed from time to time by the Financial Accounting Standards Board or any successor to the duties or responsibilities thereof.

(6) "Listed Events" means any of the following events with respect to the Bonds, whether relating to the University or otherwise:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of Bondowners, if material;

(viii) Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose);

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Tender offers;

(xiii) Bankruptcy, insolvency, receivership or similar event with respect to an obligated person;

(xiv) The consummation of a merger, consolidation, acquisition or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to take such an action or termination of a definitive agreement to undertake any such action, other than pursuant to its terms, if material; and

(xv) Appointment of a successor or an additional trustee or change in the name of a trustee, if material;

(xvi) Incurrence of a financial obligation, as defined in the Rule, of the University, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the University, any of which affect security holders, if material; and

(xvii) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the University, any of which reflect financial difficulties.

(7) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(l) of the Securities Exchange Act of 1934.

(8) "Official Statement" means a "final official statement," as defined in paragraph (f)(3) of the Rule.

(9) "Repository" means the MSRB or any other information repository as recognized from time to time by the SEC for the purposes referred to in the Rule.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "State" means the State of California.

(13) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(14) "Underwriters" means BofA Securities, Inc., Wells Fargo Bank, National Association, Morgan Stanley & Co. LLC and Siebert Williams Shank & Co., LLC.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Dissemination Agent and Trustee. The Dissemination Agent and the Trustee shall have only such duties under this Agreement as are specifically set forth in this Agreement and the Dissemination Agent shall not be liable except for its negligence or willful misconduct hereunder. The University agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from, and in addition to, that provided to the Trustee under the Indenture. The Dissemination Agent shall be paid compensation by the University for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the University, the holders of the Bonds, or any other party. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have the same rights, protections and immunities hereunder as provided to the Trustee under the Indenture.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.3. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent, upon notice to the University and the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Trustee and the University. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

Section 5.4. Filing. The University and the Dissemination Agent may satisfy the University's disclosure obligations hereunder to file any Annual Financial Information or notices of Listed Events by filing the same with the MSRB through its Electronic Municipal Market Access system, in the format and with identifying or other information as may be required by the Securities and Exchange Commission or the MSRB, or any other Repository that may be recognized or permitted by the Securities and Exchange Commission in such manner as may be specified by the Securities and Exchange Commission or the Repository.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY

By: ___________________________________

Karen L. Kearney
Treasurer

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee and as Dissemination Agent

By: ___________________________________

Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	California Educational Facilities Authority
Name of Issue:	California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-2
Name of Obligor:	The Board of Trustees of the Leland Stanford Junior University
Date of Issuance:	April 28, 2021

NOTICE IS HEREBY GIVEN that The Board of Trustees of the Leland Stanford Junior University (the "University") has not provided Annual Financial Information with respect to the above-named Bonds as required by Section 1.2(a) of the Continuing Disclosure Agreement relating to the Bonds. The University anticipates that the Annual Financial Information will be filed by _____________.

Dated: __________________________

The Bank of New York Mellon Trust Company, N.A.,
as Trustee and Dissemination Agent

By: ____
Authorized Officer

cc: The Board of Trustees of the Leland Stanford Junior University
California Educational Facilities Authority

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APPENDIX E

FORM OF BOND COUNSEL OPINION

[Dated Date]

California Educational Facilities Authority
915 Capitol Mall, Room 435
Sacramento, California 95814

California Educational Facilities Authority Revenue Bonds
(Stanford University) Series V-2
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Educational Facilities Authority (the "Authority") in connection with the issuance of $300,400,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-2 (the "Series V-2 Bonds"), issued pursuant to an Indenture, dated as of April 1, 2019, as supplemented by the First Supplemental Indenture, dated as of April 1, 2021 (together, the "Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Indenture provides that the Series V-2 Bonds are issued for the stated purpose of making a loan of the proceeds thereof to The Board of Trustees of the Leland Stanford Junior University (the "Borrower") pursuant to a Loan Agreement, dated as of April 1, 2019, as supplemented by a First Supplemental Loan Agreement, dated as of April 1, 2021 (together, the "Loan Agreement"), each between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Agreement, dated the date hereof (the "Tax Agreement"), between the Authority and the Borrower, opinions of counsel to the Authority, the Borrower and the Trustee, certificates of the Authority, the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of the Office of the General Counsel for the Leland Stanford Junior University, counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that the opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the Borrower regarding the use of the facilities financed or refinanced with the proceeds of the Series V-2 Bonds in activities that are not considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Borrower does not address Section 513 of the Code. Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code, may result in interest on the Series V-2 Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series V-2 Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Series V-2 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Series V-2 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series V-2 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series V-2 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series V-2 Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public instrumentalities and agencies of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series V-2 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series V-2 Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series V-2 Bonds, of the Series V-2 Revenues and any other amounts held by the Trustee in the Series V-2 Funds and Accounts, except the Series V-2 Rebate Account, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. The Series V-2 Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series V-2 Bonds. The Series V-2 Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

5. Interest on the Series V-2 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Series V-2 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series V-2 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX F

VERIFIER'S REPORT AND SECOND PARTY OPINION

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VERIFIER'S REPORT SUMMARY

Kestrel Verifiers finds that the California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-2 (Sustainability Bonds – Climate Bond Certified) conform with the Climate Bonds Standard (V3.0).

Use of Proceeds

Bond proceeds will be used to finance and refinance capital improvement projects on Stanford University's ("Stanford") campus and its other lands which enable and align with the school's trajectory to reach zero emissions by 2030.

Process for Project Evaluation and Selection

Stanford's Capital Plan is the guiding document for capital project identification and approval. Energy management and campus sustainability are integral to the capital project selection and design process.

Management of Proceeds

Proceeds from the Series V-2 Bonds will be used to finance and refinance a portfolio of capital improvement projects that align with the University's plan to eliminate fossil fuel use. Proceeds may be used to pay a portion of the costs of issuance.

Reporting

In addition to Stanford's continuing disclosure undertaking with respect to the Series V-2 Bonds, Stanford will make key metrics pertaining to the University's energy and emissions performance available to the public on a voluntary basis. Kestrel Verifiers will be engaged to provide one Post-Issuance Report.

Impact and UN SDGs

By facilitating growth of Stanford in a sustainable way, the Series V-2 Bonds support United Nations Sustainable Development Goal (UN SDG) 7: Affordable and Clean Energy, 9: Industry, Innovation and Infrastructure, 12: Responsible Consumption and Production, and 13: Climate Action.

CLIMATE BONDS STANDARD APPROVED VERIFIER

ISSUER
California Educational Facilities Authority

BORROWER
The Board of Trustees of the Leland Stanford Junior University (Stanford University)

BOND ISSUANCE
Revenue Bonds (Stanford University) Series V-2 (Sustainability Bonds – Climate Bond Certified)

SECTOR CRITERIA
Low Carbon Buildings

EVALUATION DATE
March 31, 2021

KESTREL VERIFIERS CONTACTS

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(+1) 856-495-5003

VERIFIER'S REPORT

Par:	$300,400,000
Issuer:	California Educational Facilities Authority
Issue Description:	Revenue Bonds (Stanford University) Series V-2 (Sustainability Bonds - Climate Bond Certified)
Project:	Capital Improvement Projects
Sector Criteria:	Low Carbon Buildings
Evaluation Date:	March 31, 2021

CLIMATE BONDS VERIFIER'S REPORT

The California Educational Facilities Authority will issue the Revenue Bonds (Stanford University) Series V-2 (Sustainability Bonds – Climate Bond Certified) ("Series V-2 Bonds") on behalf of Stanford University ("Stanford" or "University").

This Verifier's Report reflects Kestrel Verifiers' view of Stanford's projects and financing, allocation and oversight, and conformance of the bonds with the Climate Bonds Standard (V3.0), and the Low Carbon Buildings sector criteria. In our opinion, the Series V-2 Bonds aligned with the internationally accepted Climate Bonds Standard and the Low Carbon Buildings criteria.

ABOUT THE BORROWER: STANFORD UNIVERSITY

Stanford University ("Stanford or "University") is a higher education and research institution located in the San Francisco Bay Area, California. The main campus consists of 8,180 acres of land located in six different municipalities. Additional information about the University is available in the Official Statement with respect to the Series V-2 Bonds and other publicly available resources.

Based on Kestrel's evaluation, Stanford has ambitious and systematic goals for sustainability in academics, energy supply, water, waste, energy demand, food and living, and buildings. The Office of Sustainability and Business Services ("Office") is a central hub for sustainable infrastructure and programming. The Office facilitates data-driven monitoring of campus performance, internship programs, and sustainable design. The Office also administers the "My Cardinal Green" sustainability incentive program, which provides customized recommendations to students, staff, and faculty who want to reduce their individual environmental impacts.

Significant environmental sustainability achievements include:

- The Water Resources and Civil Infrastructure group established the water conservation program in 2001 and since then, the campus reduced potable water use by 44% in spite of campus growth.
- Stanford has a long-term Habitat Conservation Plan which was developed with the U.S. Fish and Wildlife Service to preserve and enhance habitats for endangered species on Stanford-owned land.
- As of 2019, Stanford had reduced campus energy intensity by 32% compared to 2000.
- The Whole Building Energy Retrofit Program, started in 2004, and the Energy Retrofit Program started in 1993, have resulted in approximately $15 million in energy savings.
- In 2019, the University diverted 66% of waste from the landfill, and aims to divert more than 90% of waste by 2030.

In May 2020, Stanford announced plans for a new school of sustainability as a means to accelerate its impact and expand the University's function as a living laboratory. The new school aims to amplify Stanford's progress in climate action by expanding collaboration across disciplines and fostering impact-focused approaches to pressing environmental challenges.

ALIGNMENT TO CLIMATE BONDS STANDARD AND CERTIFICATION SCHEME

Stanford has engaged Kestrel Verifiers to provide an independent verification on the alignment of the Series V-2 Bonds with the Climate Bonds Standard (V3.0) and Certification Scheme, and the Low Carbon Buildings sector criteria. The Climate Bonds Initiative (the "CBI") administers the Standard and sector criteria. Additionally, Kestrel Verifiers has examined alignment of the Series V-2 Bonds with the UN SDGs.

Kestrel Verifiers is a Climate Bonds Initiative Approved Verifier. The Kestrel review team included environmental scientists. We performed a Reasonable Assurance engagement to independently verify that the bond meets, in all material respects, relevant criteria.

For this engagement, Kestrel Verifiers reviewed Stanford's Green Bond Framework and relevant plans. We examined public and non-public information and interviewed members of Stanford's Office of Sustainability, Office of the Treasurer, and finance teams. Our goal was to understand the planned use of proceeds, procedures for managing proceeds, and plans and practices for reporting in sufficient detail to verify the bond.

Verifier's Responsibilities
Kestrel Verifiers' responsibilities for confirming alignment of the Series V-2 Bonds with the Climate Bonds Standard and Low Carbon Buildings criteria include:

- assess and certify Stanford's internal processes and controls, including selection process for projects and assets, internal tracking of proceeds, and the allocation system for funds;
- assess policies and procedures established by Stanford for reporting;
- assess the readiness of Stanford to meet the Climate Bonds Standard (V3.0) and Low Carbon Buildings sector criteria; and
- express a Reasonable Assurance conclusion.

Relevant Climate Bonds Sector Criteria and Other Standards
The Series V-2 Bonds align with the Climate Bonds Standard (V3.0) and Low Carbon Buildings criteria. While this Verifier's Report only discusses our determination in relation to the Climate Bond eligibility, Kestrel Verifiers has also provided a Second Party Opinion to attest to the conformance of the Series V-2 Bonds with the Sustainability Bond Guidelines established by the International Capital Market Association ("ICMA").

Assurance Approach
Kestrel Verifiers' responsibility is to conduct a Reasonable Assurance engagement to determine whether the Series V-2 Bonds meet, in all material respects, the requirements of the Climate Bonds Standard. Our Reasonable Assurance was conducted in accordance with the Climate Bonds Standard (V3.0) and the *International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Kestrel Verifiers has relied on information provided by Stanford. There are inherent limitations in performing assurance, and fraud, error or non-compliance may occur and not be detected. Kestrel Verifiers is not responsible or liable for any opinions, findings or conclusions that are incorrect. Our assurance is limited to Stanford's policies and procedures in place as of March 2021. The distribution and use of this verification report are at the sole discretion of Stanford. Kestrel Verifiers does not accept or assume any responsibility for distribution to any other person or organization.

Use of Proceeds and Conformance to Sector Criteria

The Series V-2 Bonds will finance and refinance Stanford University's capital improvement projects which support and enable the continued growth of the University and align with the school's anticipated trajectory to reach zero greenhouse gas (GHG) emissions by approximately 2030. Proceeds of the Series V-2 Bonds will finance and refinance a variety of University projects which align with GHG emission reduction goals and meet local green building standards. Project descriptions are included in Appendix A.

Sector Criteria

<u>Low Carbon Buildings</u>

Stanford's bond-financed activities align with the CBI Low Carbon Buildings – Building Upgrades criteria for Commercial Buildings. The mitigation component of the Criteria varies for commercial and residential buildings and depends on the tenor of the bond. Under Relative Performance Improvements, projects must meet minimum improvements as shown in Figure 1. Stanford's capital improvement projects are expected to meet the carbon emission reduction targets for the term of the bond (50% for a 30-year bond).

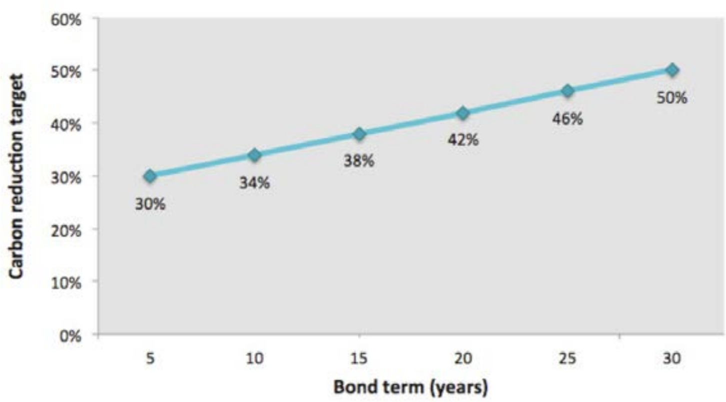

Figure 1. CO_2 emission targets for Commercial Buildings - Building Upgrades

Source: Appendix 1, Climate Bonds Standard – Low Carbon Buildings Criteria Version 1.0

Based on Kestrel's review, Stanford has a comprehensive path to reach zero emissions by 2030 which is primarily guided by three approaches: energy efficiency in new construction, energy efficiency in existing buildings, and greener energy supply through Stanford Energy System Innovations (SESI). The zero-emission plan includes scope one and two emissions and does not include purchase of carbon offsets. Figure 2 illustrates Stanford's trajectory to eliminate fossil fuel use by 2030. With a major solar generation facility coming online in 2022, the University will use 100% renewable energy and reduce emissions to 80% below maximum levels. The University anticipates reaching zero scope three emissions by 2050. Subsequent efficiency programs and capital improvements are expected to further reduce emissions, including emissions from travel and embodied carbon in equipment and materials.

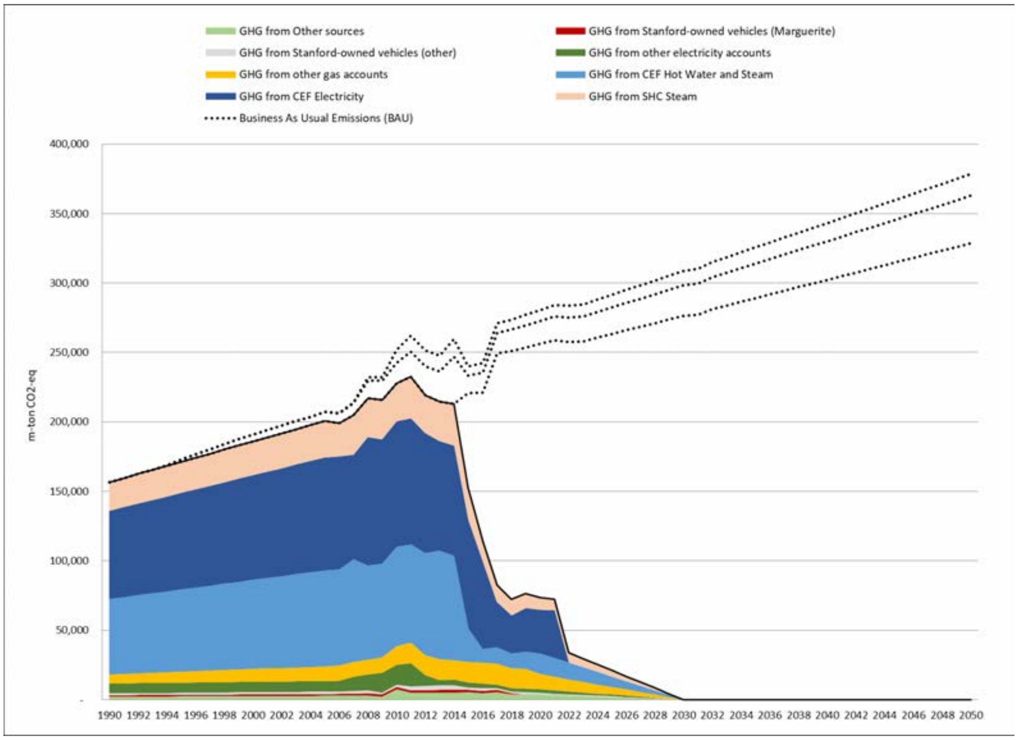

Figure 2. Stanford GHG emissions since 1990 and projections relative to business-as-usual Emissions for 2006–2009 verified per the California Climate Action Registry General Reporting Protocol, including de minimis emissions. Emissions for 2010–2018 verified per the Climate Registry General Reporting Protocol, including simplified estimation (de minimis equivalent) emissions. Acronyms in Figure: Central Energy Facility (CEF); Stanford Health Care (SHC).

The Stanford campus has a 5 MW solar array and a power purchase agreement to acquire approximately 52% of its electricity from an off-campus 67 MW solar system. The remaining renewable electricity is sourced from California's grid. A secondary 88 MW solar array is expected to come online in 2022. Stanford has reported its scope one and two emissions to The Climate Registry (TCR) since 2006. Annual emissions inventories are verified through an independent third party and consistently follow TCR's General Reporting Protocol. Scope three emission accounting, program development, and reduction are also part of Stanford's long-term climate action planning.

Stanford Energy System Innovations (SESI): A portion of the Series V-2 Bond proceeds will finance the Chiller Plant Expansion, a component of the SESI initiative. SESI replaced the campus' natural gas cogeneration plant with a more efficient, first-of-its-kind Central Energy Facility (CEF) in 2015. The CEF replaced steam with hot water generated through heat recovery and uses energy sourced from the grid with a renewable portfolio. SESI uses waste heat from the campus's chilled water system to produce hot water for campus-wide heating and has hot and chilled water tanks for energy storage. The purpose of the Chiller Plant Expansion project is to expand the CEF's chilled water capacity to meet projected campus growth needs and reduce the number of curtailment days during heat waves. Four new 3,000-ton chillers will provide additional capacity and redundancy to the system. In Kestrel's view, the many environmental awards received by the SESI initiative further validate the innovative approach to climate action.

Green Building Commitment

Based on documentation reviewed by Kestrel, Stanford is a top performer in achieving GHG emission reductions and increasing sustainability of operations. The University has received a Platinum rating from the Association for the Advancement of Sustainability in Higher Education's (AASHE) Sustainability

Tracking, Assessment & Rating System (STARS) and operates at a campus-wide LEED Gold equivalency, according to a 2016 analysis.

Sustainability Tracking, Assessment & Rating System (STARS): Stanford had the highest score of any scored research institution as of February 2019 and is one of only seven colleges and universities in the U.S. to hold the highest possible rating (Platinum). The same year, Stanford ranked second overall in the Energy category, demonstrating the success of the SESI project and campus energy planning. The STARS rating system provides a widely accepted framework for sustainability in higher education and offers opportunities for meaningful data tracking and comparisons over time.

Green Building Standards: Buildings comply with the Santa Clara County Green Building Ordinance and California's CALGreen Tier 1 energy efficient building standards. In addition, the Stanford Performance Model includes a 30% energy conservation requirement. Design guidelines encourage experimentation with new technologies and require incorporation of learnings from previous projects into new designs.

Stanford's buildings operate at LEED Gold equivalent standards. In 2016, a campus-wide LEED Gold equivalency analysis was performed that confirmed the alignment of the campus with the U.S. Green Building Council's widely recognized standards. Through this analysis, it was determined that Stanford's energy intensity was nearly 30% below the median reported by other colleges and universities.

Process for Project Evaluation and Selection

Stanford's Capital Plan dictates the overall process for identifying, prioritizing, designing, and funding capital projects. Kestrel has observed that energy management and campus sustainability are integral to the project selection and design process.

Kestrel views the University's project selection process as thorough and aligned with the Process for Project Evaluation and Selection component of the Sustainability Bond Guidelines. The process is summarized, as follows: Stanford's Annual Budget Plan, which contains the Capital Plan, is based on projections of the major capital projects that the University plans to pursue in support of its academic mission. The Capital Planning process has a three-year planning horizon with commitments to specific projects. Individual University units propose lists of projects to a working group which reviews projects for alignment with academic objectives and affordability. The Provost and Board of Trustees provide final approval of projects.

Stanford's capital projects comply with campus sustainability targets, including those established in the Energy and Climate Plan. Assurance of conformance with these targets is provided through the Project Delivery Process (PDP). Sustainability is one of the five primary goals outlined by the PDP Manual and each project undergoes a life cycle cost analysis to evaluate the costs and benefits of efficiency investments. All projects are required to meet specific energy use, peak heating, cooling demand and water use targets that exceed regional code requirements. Each building undergoes energy modeling to ensure compliance with Stanford energy targets. In 2008, Stanford established targets for new and significantly renovated buildings to exceed energy efficiency in current code by 30% and reduce water use by 25% relative to similar buildings. Construction projects are required to address salvage and recycling of construction materials and demolition debris. Throughout the design and build process, project teams report on energy and water use performance targets to ensure reduction goals are met.

Management of Proceeds

Proceeds from the Series V-2 Bonds will be used to finance and refinance capital improvement projects which support Stanford in meeting its GHG emission reduction goals. Proceeds may also be used to finance a portion of the costs of issuance. The Office of the Treasurer (Treasurer's Office) manages debt issuance and allocation of bond proceeds. Upon issuance, proceeds of the Series V-2 Bonds shall be loaned directly to Stanford to finance a publicly approved list of projects. Proceeds will be deposited in the Redemption Fund and the Construction Fund and held separate from all other University funds. Proceeds in the Redemption Fund will be allocated to refund Series U-5 Bonds on May 3, 2021 and will not be invested prior to the refunding.

In accordance with Internal Revenue Code requirements, the allocation of proceeds to capital projects will be tracked for the life of the bond. Funds may be withdrawn to pay for or to reimburse the University for qualifying expenses or projects. The Treasurer's Office and the Controller's Office are responsible for tracking use of proceeds for qualifying projects.

A portion of the new money may be temporarily invested in highly conservative instruments with principal preservation as the primary objective. Investment of tax-exempt bond proceeds are further constrained by tax regulations. Proceeds shall not be invested in assets which limit the transition to a low carbon and climate resilient economy.

Reporting

As described in the Continuing Disclosure Agreement for the Series V-2 Bonds, Stanford will submit certain required continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) so long as the Series V-2 Bonds are outstanding. This includes Annual Financial Information and Audited Financial Statements that will be provided annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Stanford will also report on certain listed events as described in the Continuing Disclosure Agreement.

Apart from disclosure requirements described above, Stanford intends to voluntarily provide additional information described below. None of this additional information is intended to become part of the reporting requirements defined in the Continuing Disclosure Agreement. Campus and building-specific energy performance is tracked by the Department of Sustainability and Energy Management. Each year, the Office of Sustainability produces a report which highlights significant achievements in academics, energy supply, water, waste, central office, energy demand, food and living, buildings, and transportation. Through these reports, key metrics associated with the University's reduction in GHG missions will be publicly available to confirm alignment with the Climate Bonds Standard V3.0 and the Paris Agreement. These reports will be available on the University's website, and voluntarily at their discretion on EMMA. A failure by Stanford to provide the additional information will not constitute a default of the Series V-2 Bonds.

Campus emissions have also been reported through The Climate Registry (TCR) since 2006. Annual emissions inventories are verified through an independent third party and consistently follow TCR's General Reporting Protocol. These reports can be found at www.theclimateregistry.org.

Within 24 months of the Series V-2 Bonds closing, Kestrel Verifiers will provide one Post-Issuance Report to the Climate Bonds Initiative. It is expected that all proceeds of the Series V-2 will be spent at the time of the Post-Issuance Report. Stanford will also post this report on the University's website, and voluntarily at their discretion on EMMA.

Impact and Alignment with UN SDGs

Many activities at Stanford support and advance the vision of the UN SDGs. The *2030 Agenda for Sustainable Development* adopted by all United Nations member states in 2015 provides "a shared blueprint for peace and prosperity for people and the planet." The United Nations' Agenda describes 17 SDGs. The University maps achievements in various areas to the UN SDGs in an annual Sustainability at Stanford Report. At a bond-financed activity scale, the Series V-2 Bonds directly support UN SDGs 7, 9, 12, and 13 by financing University building and facility improvements that align and advance goals to reduce energy use intensity, reach zero emissions, and integrate climate action into all aspects of capital planning and project evaluation. A comprehensive list of targets and background on UN SDG 7, 9, 12, and 13 is available on the United Nations' website: www.un.org/sustainabledevelopment

UN SDG	Green Category (SDG Targets)[1]	Possible Indicators
7 AFFORDABLE AND CLEAN ENERGY	• Energy Efficiency (Target 7.3)	• Energy use intensity of built area • Avoided GHG emissions (CO_2-eq)
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Sustainable Infrastructure (Target 9.4)	• Reduction in grid energy demand as a result of upgrades • Reduction in number of curtailment days
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Responsible Consumption and Production (Target 12.2)	• Reduction of fossil fuel use
13 CLIMATE ACTION	• Climate Action (Target 13.2)	• Adoption of long-term GHG emission reduction strategy • Total GHG emissions per year

The University's construction and renovation projects that meet green building standards and reduce energy and water use advance Targets 7.3 and 12.2. Target 9.4 is primarily advanced through the upgrades to the Chiller Plant at the innovative Central Energy Facility. The Series V-2 Bonds support Target 13.2 by integrating climate action into long-term planning and the project selection process for the bond-financed projects.

[1] SDG Targets:

7.3 By 2030, double the global rate of improvement in energy efficiency

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

13.2 Integrate climate change measures into national policies, strategies and planning

CONCLUSION

Based on the Reasonable Assurance procedures we have conducted, in our opinion, the Series V-2 Bonds conform, in all material respects, with the Climate Bonds Standard, and the bond-financed activities are aligned with the Low Carbon Buildings sector criteria. Stanford's capital improvement projects enable campus growth while reducing GHG emissions. Stanford is exemplary in its leadership on effectively advancing bold goals for climate action in a higher education and research institution.

ABOUT KESTREL VERIFIERS

For 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the Climate Bonds Standard based on the information which was available to us during the time of this engagement (March 2021) only. By providing this report, Kestrel Verifiers is not certifying the materiality of the projects financed by the Climate Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. Kestrel Verifiers relied on information provided by Stanford. The report delivered by Kestrel Verifiers does not address financial performance of the Series V-2 Bonds or the effectiveness of allocation of its proceeds. This report does not make any assessment of the creditworthiness of Stanford, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Series V-2 Bonds. Kestrel Verifiers is not liable for consequences when third parties use this report either to make investment decisions or to undertake any other business transactions. This report may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in Stanford or the projects discussed. Language in the offering disclosure supersedes any language included in this Verifier's Report.

Appendix A

Middle Plaza: Located along El Camino Real in Menlo Park, Middle Plaza is a mixed-use development which will provide 215 units for faculty and staff housing. The location has nearby transit options and was designed with bicycle and pedestrian pathways. The development is expected to meet LEED Gold equivalency. The project is expected to be completed in summer 2022.

Center for Academic Medicine: This newly constructed building will be part of the Stanford School of Medicine and will house clinical faculty, computational researchers, departmental leadership, and consolidate several administrative offices.

Bonair Replacement Building: This building will house Land, Buildings & Real Estate (LBRE) operations including offices, shops, warehouse storage, a loading dock, and a small classroom. The building will incorporate technologies for maximizing energy efficiency such as automation of lighting and HVAC controls. By consolidating the needs of multiple teams, the building will reduce overall square footage needs. The building also supports a motor pool plan that reduces the number of overall vehicles, increases the number of electric vehicles, and expands the electric scooter and bike pool. Construction is expected to be completed in 2023.

Escondido Village Graduate Residences: The four residence buildings at Escondido have rooms for 2,400 graduate students with space totaling 1.8 million square feet. The energy use intensity is expected to be less than similar residence halls with air conditioning, partially due to targeted strategies that reduce lighting and equipment plug loads from residents.

Neuro/ChEM-H: Completed in 2019, the new research complex co-located Stanford Neurosciences Institute and Stanford ChEM-H and host more than 40 laboratories, core research facilities, and collaborative spaces. Energy management features include background ventilation setback, recycled air in lab ventilation, improved roof and wall insulation, high performance window glazing and shades, and a 4-pipe distributed heating and cooling system.

BioMedical Innovations Building 1: Completed in 2019, the BioMedical Innovations Building 1 is the first in a series of buildings constructed to replace outdated laboratory and research facilities. Energy management features on this building include an innovative HVAC system that reduces peak energy consumption by over 50%, exhaust air heat recovery, efficient lighting, and high performance window glazing and shades.

Maintenance and Capital Improvements: Projects include chilled water line expansion, Americans with Disabilities Act (ADA) accessibility upgrades, seismic upgrades, electrical conduit improvements, alarm upgrades, and other improvements.

SECOND PARTY OPINION

SUMMARY

Kestrel Verifiers finds that the California Educational Facilities Authority ("Authority") Revenue Bonds (Stanford University) Series V-2 (Sustainability Bonds - Climate Bond Certified) (the "Series V-2 Bonds") conform with the four pillars of the Sustainability Bond Guidelines (2018) as follows:

Use of Proceeds

The Series V-2 Bonds will finance and refinance Stanford University's capital improvement projects which support and enable the continued growth of the University and align with the school's anticipated trajectory to reach zero greenhouse gas (GHG) emissions by approximately 2030. The capital improvement projects simultaneously contribute to confrontation of inequities and disparities in health and healthcare, support of education, and expansion of access to housing in one of the least affordable housing markets in the United States.

Process for Project Evaluation and Selection

Stanford's Capital Plan is the guiding document for capital project identification and approval. Academic and research success, housing accessibility, energy management, and campus sustainability are integral to the capital project selection and design process.

Management of Proceeds

Proceeds from the Series V-2 Bonds will be used to finance and refinance a portfolio of capital improvement projects and may be used to pay a portion of the costs of issuance. A portion of proceeds will immediately be allocated to refunding outstanding debt and new money may temporarily be held in highly conservative instruments with principal preservation as the primary objective.

Reporting

In addition to Stanford's continuing disclosure undertaking with respect to the Series V-2 Bonds, Stanford will make key metrics pertaining to the University's environmental and social impact available to the public. Kestrel Verifiers will be engaged to provide one Post-Issuance Report.

Impact and Alignment with UN SDGs

By facilitating growth of the University in a sustainable way, the Series V-2 Bonds support and advance multiple United Nations Sustainable Development Goals (UN SDGs), including those related to increased access to housing, climate action, access to high-quality education, and advancing equity in public health and healthcare.

The Sustainability Bond Guidelines

ISSUER
California Educational Facilities Authority

BORROWER
The Board of Trustees of the Leland Stanford Junior University (Stanford University)

BOND ISSUANCE
Revenue Bonds (Stanford University) Series V-2 (Sustainability Bonds - Climate Bond Certified)

CLIMATE BONDS SECTOR CRITERIA
Low Carbon Buildings

SOCIAL CATEGORY
1. Access to Essential Services (Education & Health Equity)
2. Affordable Housing/Housing Access

TARGET POPULATIONS
Marginalized, underserved populations; low- and moderate-income Stanford-affiliated residents

EVALUATION DATE
March 31, 2021

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SECOND PARTY OPINION

Issuer:	California Educational Facilities Authority
Issue Description:	Revenue Bonds (Stanford University) Series V-2 Bonds (Sustainability Bonds - Climate Bond Certified)
Project:	Capital Improvement Projects
Green Category:	Green Buildings
Social Category:	Access to Essential Services (Education & Health Equity), Affordable Housing/Housing Access
Target Population:	Marginalized, underserved populations; low- and moderate- income Stanford-affiliated residents
Par:	$300,400,000
Evaluation date:	March 31, 2021

SUSTAINABILITY BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Sustainability Bond Guidelines (2018) established by the International Capital Market Association ("ICMA").

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance with the Sustainability Bond Guidelines. In our opinion, the California Educational Facilities Authority ("Authority") Revenue Bonds (Stanford University) Series V-2 Bonds (Sustainability Bonds - Climate Bond Certified) ("Series V-2 Bonds") are aligned with the four pillars of both the Green Bond Principles and the Social Bond Principles and therefore qualify for Sustainability Bonds designation.

The Series V-2 Bonds have been designated as Certified Climate Bonds by the Climate Bonds Standard Board through their alignment with the Climate Bonds Standard (V3.0) Low Carbon Buildings criteria. A third-party verification of their conformance was separately performed by Kestrel Verifiers and summarized in a Verifier's Report. Given the Climate Bonds designation and the harmonization between the Climate Bonds Standard and the Green Bond Principles, the Series V-2 Bonds are in alignment with the ICMA Green Bond Principles (2018). This Second Party Opinion confirms and primarily focuses on alignment of the Series V-2 Bonds with the ICMA Social Bond Principles (2020).

ABOUT THE BORROWER: STANFORD UNIVERSITY

Stanford University ("Stanford or "University") is a higher education and research institution located in the San Francisco Bay Area, California. The main campus consists of 8,180 acres of land located in six different municipalities. Additional information about the University is available in the Official Statement with respect to the Series V-2 Bonds and other publicly available resources.

ALIGNMENT TO SUSTAINABILITY STANDARDS

Sustainability Bonds are bonds in which the proceeds will be exclusively applied to finance or refinance a combination of both Green and Social Projects. Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles which include: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting (International Capital Market Association definition).

Use of Proceeds

The Series V-2 Bonds will be used to finance and refinance Stanford's capital improvement projects. They are eligible in the Access to Essential Services and Affordable Housing/Housing Access project categories of the Social Bond Principles. By supporting both environmental and social impact goals, the Series V-2 Bonds conform with the Sustainability Bond Guidelines.

Proceeds of the Series V-2 Bonds will provide new money for University capital improvement projects, refinance commercial paper and pay down a revolving line of credit, also used for University capital improvement projects, and refund the California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-5 ("Series U-5 Bonds"). The Series U-5 Bonds refinanced commercial paper for a portion of the California Educational Facilities Authority Revenue Bonds (Stanford University) Series T-4. Highlights of the capital improvement projects are described below. Project images and additional details are included in Appendix A and Appendix B, respectively.

Social Benefits

Projects in the Series V-2 Bonds directly contribute to the University's pursuits of health equity research and affordable housing for the community. The Series V-2 Bonds also impact the University's systemic and academic equity initiatives because those initiatives affect every aspect of the Stanford ecosystem. Specific projects are highlighted below which have direct social impact through improving access to housing and health services. The Social Bond designation also factors in a system-level analysis of Stanford University that recognizes the University as a leader in academic and organizational social equity. To arrive at the Social Bond designation, Kestrel viewed the social benefits stemming from the bond-financed activities with these relative weightings:

- 60% Health Equity
- 30% Affordable Housing/Housing Access
- 10% Systemic and Academic Equity Initiatives

Health Equity

In this Second Party Opinion, "health equity" is defined as confrontation of inequities or disparities in health and healthcare. Projects that advance health equity and justice include medical or health research on marginalized populations, public health initiatives that seek to improve healthcare accessibility and quality of care for marginalized populations, and programs that increase diversity and open up opportunities for medical students and healthcare professionals.

The activities financed or refinanced by the Series V-2 Bonds support Stanford School of Medicine, which promotes health equity through its research, in the education of health care professionals and delivery of health care services. To strengthen its total commitment to diversity and inclusion, in September 2020 the School of Medicine established an Associate Dean for Equity and Strategic Initiatives. Stanford Medicine is creating new delivery models to deliver comprehensive healthcare in the region and throughout the world.

Center for Academic Medicine ("CAM 1")

The Series V-2 Bonds will partially finance construction of the Center for Academic Medicine, a 180,000 square foot building adjacent to the School of Medicine which will mainly house faculty offices and research facilities. This project aligns with the Social Bond Principles by expanding clinical and medical research, including research about health equity, and by expanding the University's integrated medical delivery system.

The Series V-2 Bonds qualify for Social Bond designation by upholding and advancing health equity goals, as evidenced by initiatives identified and reviewed by Kestrel. Table 1 highlights various initiatives within the School of Medicine and across Stanford schools that aim to reduce health disparities and advance research on improving health of underserved groups and the social determinants of health.

Table 1. Stanford's initiatives related to health equity.

Health Equity Initiative	Description
Health Disparities and Community Health Research Programs	A dashboard of programs that share resources and initiatives across the following constituencies: alumni, community college students, faculty, graduate students, K-12, medical students, postdoctoral scholars, public, residents and fellows, staff, and undergrads.
SPHERE (Stanford Precision Health for Ethnic and Racial Equity)	SPHERE is one of five national centers funded by the National Institute on Minority Health and Health Disparities to focus on using precision-medicine tools to improve the health of underserved ethnic and racial groups.
Office of Diversity in Medical Education and the Leadership in Health Disparities Program (LHDP)	The LHDP evolved from the Stanford Medical School's Early Matriculation Program (EMP) that began in 1984 to promote academic careers in medicine among minority and disadvantaged medical students.
HEARs (Health Equity, Advocacy and Research)	A program designed to train and develop future physician leaders to champion initiatives and advocate for the health of underserved populations within the United States.
Our Voice: Citizen Science for Health Equity	The Our Voice Initiative aims to increase health equity among people of all socioeconomic backgrounds and in diverse parts of the world through citizen science—which empowers community members to drive change in their local environments. Using the Discovery Tool mobile app, these "citizen scientists" document features of their communities that impact their ability to lead healthy lives. They then review their own findings, prioritize areas for change, and mobilize to promote improvements that will support community health.
JUST Health	A web publication designed to spotlight thought, research, challenges, and inroads in health disparities, health inequity, and social justice in medicine, health and wellness. Launched by the Center of Excellence in Diversity in Medical Education.
Center for Population Health Sciences	A center focused on stimulating, facilitating, and conducting research on the social determinants of health.
LGBT Medical Education Research Group	A group with a mission to be a significant contributor to the field of LGBT health by creating and communicating new knowledge through innovative research, influencing health and educational policies, and advocating for LGBT patients and providers.
Cardinal Free Clinics	Clinics created to fill a void in the health care safety net that is met by very few other providers and represents a new and innovative model for providing free health care to the underserved.
WHSDM (Women's Health & Sex Differences in Medicine Center)	A research center that not only conducts multi-disciplinary research on women's health and sex differences in biology and medicine, but also promotes the value of educating medical professionals on a broad range of women's health issues.
Stanford Center for Innovation in Global Health	In the pursuit of wellbeing, worldwide, we share knowledge, equip leaders, and build interdisciplinary, multisectoral teams to address urgent global health challenges.
Maternal and Child Health Research Institute	The Maternal and Child Health Research Institute mobilizes Stanford discoveries and expertise to improve healthier lives for expectant mothers and children.

Affordable Housing/Housing Access

Stanford is located in one of the most expensive housing markets in the United States, where housing is scarce.[1] Kestrel has reviewed the University's Capital Plan, as well as the University's housing plans and initiatives, and has determined that the University is committed to providing affordable on- and off-campus housing. At present, almost all undergrads, over 65% of graduate students and 40% of faculty members have access to on-campus housing.

Escondido Village Graduate Residences

The Series V-2 Bonds will partially refinance construction of the Escondido Village Graduate Residences (EVGR) that provides on-campus housing for 2,020 additional graduate students. The completed project is expected to raise the percentage of graduate students housed on campus to approximately 75% once fully occupied. These apartments provide on-campus housing for single graduate students and couples without children.

Various unit types will aim to offer rent rates at equal to or less than comparable rates on the local open market. By providing on-campus housing, the Series V-2 Bonds address critical housing needs of graduate students, who often qualify as a low- to middle-income population.

Middle Plaza at 500 El Camino Real

The Series V-2 Bonds will also partially finance the Middle Plaza project which includes 215 residential units that are either one- or two-bedroom apartment rentals. Construction began in Fall 2019 and is expected to finish in Summer 2022. While Escondido Village creates housing for students, Middle Plaza housing is mainly intended for faculty and staff, though undergraduate and graduate students will also have access.

Up to 10 of the 215 units will be offered below market rate. These low-income units will be available to any potential tenants, including undergraduates, graduates or faculty who meet the requirements of the "Affordable Housing Agreement and Declaration of Restrictive Covenants."

Systemic and Academic Equity Initiatives

The Series V-2 Bonds also qualify for Social Bond designation by supporting a campus that advances diversity, equity, and inclusion goals, as evidenced by initiatives reviewed by Kestrel and listed in Table 2.

Table 2. Stanford's social equity initiatives and measurable key performance indicators (KPIs) as of March 2021

Equity Initiative	Description
IDEAL (Inclusion, Diversity, Equity, and Access in a Learning Environment)	A Presidential initiative launched in 2019 that focuses on diversity in all sectors of education and research (recruitment, research, education and engagement), provides support to all of Stanford's community regardless of their background, and ensures that everyone has equal access to opportunities and benefits. An IDEAL dashboard is in development.
IDEAL Fellows Program	A program with the goal to increase and support the development of highly qualified diverse potential faculty members. As of March 2021, 5 new IDEAL fellows were selected. In 2022, the cohort is expected to total 15 (focus in sciences, social sciences, humanities).
IDEAL Staff Advisory Committee	A committee formed in October 2020 with a goal to create a Diversity, Equity, and Inclusion (DEI) Strategy based on data for Stanford University that is sustainable and scalable. The strategy has six key workstreams. Each

[1] California's High Housing Costs: Causes and Consequences, Legislative Analyst's Office. 2015. https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf.

Equity Initiative	Description
	workstream has several metrics-based KPIs that are currently in line for approval.
Faculty Incentive Fund (FIF)	A fund operated by the Office of the Provost that helps make it possible for departments and schools to make incremental appointments of qualified individuals who would bring diversity to the faculty; this can include (but is not limited to) minority scholars and women scholars in disciplines in which they are underrepresented, as well as others who would bring additional dimensions to the University's research and teaching programs.
Faculty Development Initiative (FDI)	An initiative launched by the Center for Comparative Studies in Race and Ethnicity in coordination with the Provost that is designed to recruit outstanding emerging and established scholars, and thereby promote faculty diversity and leading-edge scholarship across disciplines to advance race and ethnicity studies in the U.S. and around the world.
Stanford Earth Fellows	A fellowship program that supports 2 outstanding postdoctoral scholars per year in the fields of Earth, Energy, and Environmental sciences, whose research and mentorship of undergraduate and graduate students will contribute to DEI and scientific excellence within the School. As of May 2020, the University is in the process of evaluating 196 applicants.
Humanities & Sciences Faculty Diversification	March 2021 update: 21 of 53 new faculty arrivals in Academic Years 2019 and 2020 were FIF or FDI appointments. These colleagues have been/will be joined by six additional FIF/FDI appointments in Academic Years 2021 2022 (despite greatly slowed hiring due to the pandemic).
CreatENGAGEMENT: Toolkit for Fostering a Faculty Climate of Engagement	Programs within individual academic departments that promote collaboration, respect, equity, assistance and transparency. Spearheaded by the Office of Faculty Development, Diversity and Engagement.
"Engaging Diversity" Course Requirement	A graduation requirement for undergraduates to take a course with rigorous analysis of diversity: how it is produced, understood, and enacted. Several are offered across disciplines.
Unconscious Bias & DEI Training	There is ongoing unconscious bias training for O-level and above staff positions, as well as DEI training for new undergraduates.

Environmental Benefits

The Series V-2 Bonds will finance and refinance Stanford University's capital improvement projects which support and enable the continued growth of the University while aligning with the school's anticipated trajectory to reach zero scope 1 and 2 greenhouse gas (GHG) emissions by approximately 2030. The certification of these Bonds by the Climate Bonds Initiative shows that the bond-financed activities provide real environmental benefit and are 100% aligned with the goals and targets of the Paris Agreement to reach peak GHG emissions as soon as possible and to achieve a climate neutral world by mid-century.

In summary, Stanford's GHG emission reduction path is primarily guided by three approaches: energy efficiency in new construction, energy efficiency in existing buildings, and greener energy supply through Stanford Energy System Innovations (SESI). With a major solar generation facility coming online in 2022, the University will use 100% renewable energy and reduce emissions to 80% below maximum levels. Subsequent efficiency programs and capital improvements will further reduce emissions.

The capital improvement projects financed by the Series V-2 Bonds conform with the following project categories in the Social Bond Principles:

Standard	Eligible Project Categories
The Sustainability Bond Guidelines	• Access to Essential Services (Education & Health Equity) • Affordable Housing/Housing Access

Process for Project Evaluation and Selection

Stanford's Capital Plan dictates the overall process for identifying, prioritizing, designing, and funding capital projects. Kestrel has observed that social equity initiative goals, energy management, and campus sustainability are integral to the project selection and design process.

Kestrel views the University's project selection process as thorough and aligned with the Process for Project Evaluation and Selection component of the Sustainability Bond Guidelines. The process is summarized, as follows: Stanford's Annual Budget Plan, which contains the Capital Plan, is based on projections of the major capital projects that the University plans to pursue in support of its academic mission. The Capital Planning process has a three-year planning horizon with commitments to specific projects. Individual University units propose lists of projects to a working group which reviews projects for alignment with academic objectives and affordability. The Provost and Board of Trustees provide final approval of projects.

Management of Proceeds

Proceeds from the Series V-2 Bonds will be used to finance and refinance capital improvement projects which support Stanford in meeting its GHG emission reduction goals. The Office of the Treasurer (Treasurer's Office) manages debt issuance and allocation of bond proceeds. Upon issuance, proceeds of the Series V-2 Bonds shall be loaned directly to Stanford to finance a publicly approved list of projects. Proceeds will be deposited in the Redemption Fund and the Construction Fund and held separate from all other University funds. Proceeds in the Redemption Fund will be allocated to refund Series U-5 Bonds on May 3, 2021 and will not be invested prior to the refunding.

In accordance with Internal Revenue Code requirements, the allocation of proceeds to capital projects will be tracked for the life of the bond. Funds may be withdrawn to pay for or to reimburse the University for qualifying expenses or projects. The Treasurer's Office and the Controller's Office are responsible for tracking use of proceeds for qualifying projects.

A portion of the new money may be temporarily invested in highly conservative instruments with principal preservation as the primary objective. Investment of tax-exempt bond proceeds are further constrained by tax regulations. Proceeds shall not be invested in assets which limit the transition to a low carbon and climate resilient economy.

Reporting

As described in the Continuing Disclosure Agreement for the Series V-2 Bonds, Stanford will submit certain required continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) so long as the Series V-2 Bonds are outstanding. This includes Annual Financial Information and Audited Financial Statements that will be provided annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Stanford will also report on certain listed events as described in the Continuing Disclosure Agreement.

Apart from disclosure requirements described above, Stanford intends to voluntarily provide additional information described below. None of this additional information is intended to become part of the reporting requirements defined in the Continuing Disclosure Agreement. The IDEAL (Inclusion, Diversity, Equity, and Access in a Learning Environment) dashboard is currently under development and is expected to report on a variety of social impact metrics. Campus and building-specific energy performance is tracked by the Department of Sustainability and Energy Management. Each year, the Office of Sustainability produces a report which highlights significant achievements in academics, energy supply, water, waste, central office, energy demand, food and living, buildings, and transportation. Through these reports, key metrics associated with the University's reduction in GHG missions will be publicly available to confirm alignment with the Climate Bonds Standard V3.0 and the Paris Agreement. These reports will be available on the University's website, and voluntarily at their discretion on EMMA. A failure by Stanford to provide the additional information will not constitute a default of the Series V-2 Bonds.

Campus emissions have also been reported through The Climate Registry (TCR) since 2006. Annual emissions inventories are verified through an independent third party and consistently follow TCR's General Reporting Protocol. These reports can be found at www.theclimateregistry.org.

Within 24 months of the Series V-2 Bonds closing, Kestrel Verifiers will provide one Post-Issuance Report to the Climate Bonds Initiative. It is expected that all proceeds of the Series V-2 will be spent at the time of the Post-Issuance Report. Stanford will also post this report on the University's website, and voluntarily at their discretion on EMMA.

Impact and Alignment with UN SDGs

SUSTAINABLE DEVELOPMENT GOALS

Many activities at Stanford support and advance the vision of the UN SDGs. The *2030 Agenda for Sustainable Development* adopted by all United Nations member states in 2015 provides "a shared blueprint for peace and prosperity for people and the planet." The United Nations' Agenda describes 17 SDGs. The University maps achievements in various areas to the UN SDGs in an annual Sustainability at Stanford Report. At a bond-financed activity scale, the Series V-2 Bonds directly support UN SDGs 7, 9, 12, and 13 by financing University building and facility improvements that align and advance goals to reduce energy use intensity, reach zero emissions, and integrate climate action into all aspects of capital planning and project evaluation. The Series V-2 Bonds also support UN SDGs 3, 4, 8, and 11 by expanding access to affordable housing, enabling preeminent medical research, and maintaining high-quality educational facilities. A comprehensive list of targets and background on UN SDGs is available on the United Nations' website: www.un.org/sustainabledevelopment

UN SDG	Green or Social Category (SDG Targets)[2]	Possible Indicators
3 GOOD HEALTH AND WELL-BEING	• Health Equity (Target 3.8)	• Health equity research initiatives
4 QUALITY EDUCATION	• Access to Essential Services (Targets 4.3, 4.4)	• Number of students provided access to education • Post-graduation employment rate

[2] Full text of SDG Targets available in Appendix C.

UN SDG	Green or Social Category (SDG Targets)[2]	Possible Indicators
7 AFFORDABLE AND CLEAN ENERGY	• Energy Efficiency (Target 7.3)	• Energy use intensity of built area • Avoided GHG emissions (CO_2-eq)
8 DECENT WORK AND ECONOMIC GROWTH	• Access to Essential Services (Target 8.6)	• Number of students provided with access to high-quality education • Employment rate of graduating students
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Sustainable Infrastructure (Target 9.4)	• Reduction in grid energy demand as a result of upgrades • Reduction in number of curtailment days
11 SUSTAINABLE CITIES AND COMMUNITIES	• Affordable Housing (Target 11.1)	• Number of housing units constructed • Number of units made available to low- and moderate-income households
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Responsible Consumption and Production (Target 12.2)	• Reduction of fossil fuel use
13 CLIMATE ACTION	• Climate Action (Target 13.2)	• Adoption of long-term GHG emission reduction strategy • Total GHG emissions per year

The capital improvement projects financed by the Series V-2 Bonds, including sustainable expansion of the University, support Targets 4.3, 4.4, and 8.6. Construction of a new facility for medical research in health equity associated with the University's School of Medicine aligns with Target 3.8. By financing expansion of affordable and accessible housing for graduate students, Stanford is directly supporting Target 11.1. The green building standards employed in Stanford's construction and renovation projects reduce energy and water use, advancing Targets 7.3 and 12.2, while upgrades to Chiller Plant at the innovative Central Energy Facility advance Target 9.4. The Series V-2 Bonds also support Target 13.2 by integrating climate action into long-term planning and the project selection process for bond-financing.

CONCLUSION

Based on our independent verification, the Series V-2 Bonds conform, in all material respects, with the Sustainability Bond Guidelines (2018). Given the Climate Bonds designation and the harmonization between the Climate Bonds Standard and the Green Bond Principles, the Series V-2 Bonds are in alignment with the ICMA Green Bond Principles (2018). The projects align with two Social Project categories: Affordable Housing/Housing Access and Access to Essential Services (Education & Health Equity). Stanford has selected projects for financing that advance health equity goals and improve access to housing in an undersupplied market. The projects enable Stanford's growth while reducing GHG emissions and meeting strong green building standards. Stanford is exemplary in its leadership on effectively advancing bold goals for climate action in a higher education and research institution.

ABOUT KESTREL VERIFIERS

For 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Women's Business Enterprise.
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APPENDIX A

Figure A.1. CAM 1 Construction Map (Source: Stanford Construction Map Website)

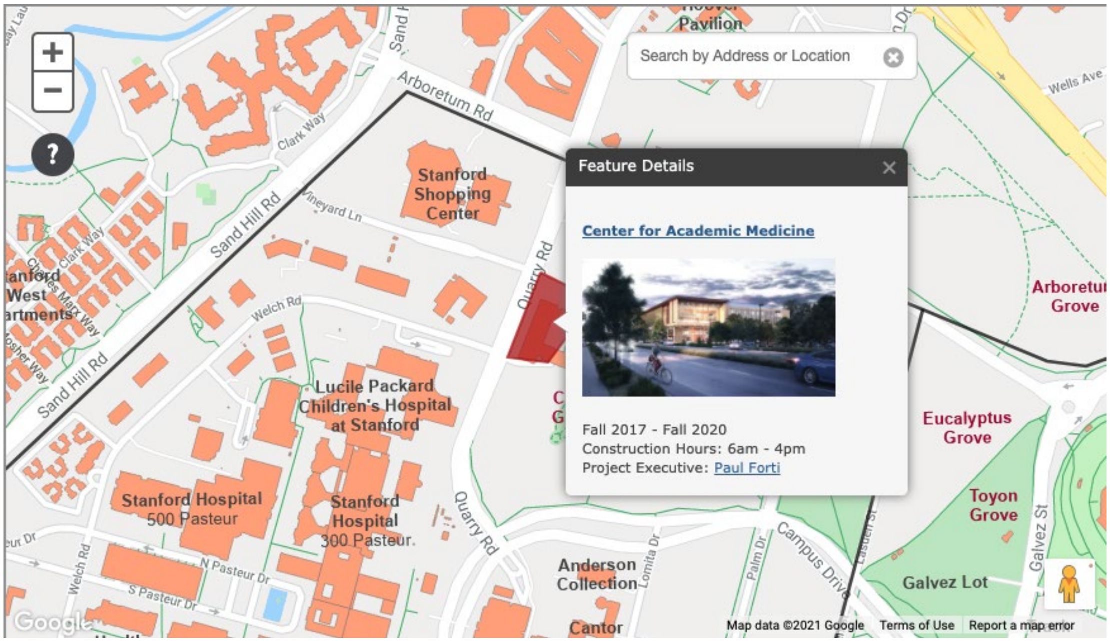

Figure A.2. CAM 1 Rendering (Source: CAM 1 Project Update Website)

Figure A.3. Image of Escondido Village Graduate Residences (Source: Stanford "Heads Up" Website)

Figure A.4. Image of Escondido Village Graduate Residences (Source: Stanford Residential & Dining Enterprises Website)

Appendix B

General project summaries and additional details beyond those highlighted in the Use of Proceeds section are provided below.

Table B.1. The following is a short list of anticipated projects that will be financed with the new money portion of Series V-2 or financed through refunded commercial paper with the Series V-2 Bonds. A portion of the Series V-2 Bonds will also refund Series U-5 Bonds (not shown below).

Anticipated CEFA V-2 Project List (including but not limited to the following)
Middle Plaza at 500 El Camino Real Formerly known as 500 ECR Residential
Central Energy Facility Chiller Plant Expansion
Center for Academic Medicine (CAM 1) - Formerly known as Clinical Excellence Center CEC
Bonair Replacement Building
Escondido Village Graduate Residences (EVGR) and Parking Garages
Biomedical Innovation Building 1
Stanford ChEM-H and the Wu Tsai (formerly Stanford ChEM-H and the Stanford Neurosciences Institute (SNI))
Anne T. and Robert M. Bass Biology Research Building (Bass Biology)
Governor's Corner EPC/Suites/Cottages Renovations
Lagunita Dining - Kitchen & Servery CIP

Bonair Replacement Building: This building will house Land, Buildings & Real Estate (LBRE) operations including offices, shops, warehouse storage, a loading dock, and a small classroom. The building will incorporate technologies for maximizing energy efficiency such as automation of lighting and HVAC controls. By consolidating the needs of multiple teams, the building will reduce overall square footage needs. The building also supports a motor pool plan that reduces the number of overall vehicles, increases the number of electric vehicles, and expands the electric scooter and bike pool. Construction is expected to be completed in 2023.

Neuro/ChEM-H: Completed in 2019, the new research complex co-located Stanford Neurosciences Institute and Stanford ChEM-H and hosts more than 40 laboratories, core research facilities, and collaborative spaces. Energy management features include background ventilation setback, recycled air in lab ventilation, improved roof and wall insulation, high performance window glazing and shades, and a 4-pipe distributed heating and cooling system.

BioMedical Innovations Building 1: Completed in 2019, the BioMedical Innovations Building 1 is the first in a series of buildings constructed to replace outdated laboratory and research facilities. Energy management features on this building include an innovative HVAC system that reduces peak energy consumption by over 50%, exhaust air heat recovery, efficient lighting, and high performance window glazing and shades.

Maintenance and Capital Improvements: Projects financed by the Series U-5 Bonds to be refunded conform with the University's comprehensive plan to reduce GHG emissions and maintain leadership in social and health equity. Projects include chilled water line expansion, Americans with Disabilities Act (ADA) accessibility upgrades, seismic upgrades, electrical conduit improvements, alarm upgrades, and other improvements

Appendix C

The Series V-2 Bonds align with multiple UN Sustainable Development Goals (SDGs). Targets supported by the capital improvement projects include:

- **Target 3.8**: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

- **Target 4.3**: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

- **Target 4.4**: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

- **Target 7.3**: By 2030, double the global rate of improvement in energy efficiency

- **Target 8.6**: By 2020, substantially reduce the proportion of youth not in employment, education or training

- **Target 9.4**: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

- **Target 11.1**: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

- **Target 12.2**: By 2030, achieve the sustainable management and efficient use of natural resources

- **Target 13.2**: Integrate climate change measures into national policies, strategies and planning

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