SUPPLEMENT DATED JUNE 28, 2013

TO

OFFICIAL STATEMENT DATED JUNE 14, 2013

RELATING TO

$827,090,000
RUTGERS, THE STATE UNIVERSITY
(The State University of New Jersey)

$340,925,000 **General Obligation Refunding Bonds** **2013 Series J (Tax Exempt)**	**$134,100,000** **General Obligation Refunding Bonds** **2013 Series K (Federally Taxable)**	**$352,065,000** **General Obligation Bonds** **2013 Series L (Tax Exempt)**

The Official Statement dated June 14, 2013 (the "Official Statement") relating to the above-referenced bonds of Rutgers, The State University (the "University") is hereby supplemented by adding the following subheading and text under the section "LEGAL MATTERS":

Proposed State Legislation Relating to the University

On June 24, 2013, Senate Bill No. S2902 and Assembly Bill No. A4315 (collectively, the "Proposed Legislation") were introduced in the 215th New Jersey Legislature, which propose to amend N.J.S.A. 18A:65-1, et. seq. (referred to in the Official Statement as the "Rutgers Law") to eliminate the University's Board of Trustees and to provide for all powers over the governance, management and administration of the University to be vested solely in the University's Board of Governors. On June 25, 2013, the Proposed Legislation was advanced to second reading in both houses without being referred to committees. This followed the Proposed Legislation's qualified endorsement by Governor Christie. As of the date of this Supplement, no vote has been taken by either house on the Proposed Legislation.

The Board of Trustees plays a limited, but important, role in University governance. The Board of Trustees is a vestige of Rutgers' history as a private university, and it is intended, by the terms of the Rutgers Law, to act as a check on partisanship and an assurance of continued autonomy. Accordingly, the Board of Trustees is specifically required to consent to any amendment or substantial alteration by the State to the self-governance provisions of the University. N.J.S.A. 18A:65-27.II.b(4). In addition, the Board of Trustees appoints certain members of the Board of Governors, and has a fiduciary responsibility to ensure that the trust assets it controls are used by the University for public higher education.

The University believes that the Proposed Legislation, in its current form, abrogates the terms of the contract created between the Board of Trustees and the State, under which any alteration of the governance structure of the University must be approved by the Board of Trustees. Furthermore, the University believes that the Proposed Legislation violates both the federal and the State constitutions. On June 26, 2013, the Board of Trustees unanimously passed a resolution opposing the Proposed Legislation and stating its determination to seek injunctive relief should the Proposed Legislation be enacted. The University has requested that the Governor veto or conditionally veto the Proposed Legislation if it is enacted by the Legislature. The University will seek immediate injunctive relief if the Proposed Legislation is signed into law in its present form.

In addition to pursuing injunctive relief, under the Rutgers Law the Board of Trustees has the ability, in its sole discretion, to "withhold or withdraw" the pre-1956 assets of the University under its control if it determines that it can no longer "discharge its trust to apply the ... trust assets ... for public higher education through the conduct of a university with high educational standards," or if, without the consent of the Board of Trustees, the provisions for the "essential self-government" of the University, as set forth in the Rutgers Law, are "amended or altered in any substantial respect or repealed."

On June 26, 2013, the Board of Trustees adopted a resolution (i) declaring that "the Board of Trustees . . . vigorously opposes S2902 and deems it an unconstitutional and illegal attempt by the State to intervene in the management of Rutgers," (ii) resolving that "in the event S2902 is adopted by the New Jersey Legislature and signed into law, in order to discharge their oaths and fiduciary duties to the University and to properly perform their duties under the Rutgers Law, the Board of Trustees will, with the advice of the Senior Vice President and General Counsel and appropriate outside counsel, file an order to show cause ultimately seeking a permanent injunction against the application of S2902 and a judgment declaring S2902 a breach of contract, a violation of the Rutgers Law, and unconstitutional" and (iii) reaffirming its "commitment to ensure that its significant holdings and assets continue to be used by Rutgers to fulfill Rutgers' educational, research and service mission for all the people and regions of the State."

The University cannot predict whether the Proposed Legislation will become law and to the extent it does become law, the final form that such law would take.

RUTGERS, THE STATE UNIVERSITY

June 28, 2013

NEW ISSUE **RATINGS: See "RATINGS" herein**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the University, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2013 Series J Bonds and the 2013 Series L Bonds (collectively, the "Tax Exempt 2013 Series Bonds") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Tax Exempt 2013 Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the 2013 Series K Bonds is not exempt from gross income for federal income tax purposes. In addition, in the opinion of Bond Counsel to the University, under existing statutes, interest on the 2013 Series Bonds is exempt from the gross income of individuals under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

RUTGERS UNIVERSITY

$827,090,000
RUTGERS, THE STATE UNIVERSITY
(The State University of New Jersey)

$340,925,000	$134,100,000	$352,065,000
General Obligation Refunding Bonds 2013 Series J (Tax Exempt)	**General Obligation Refunding Bonds 2013 Series K (Federally Taxable)**	**General Obligation Bonds 2013 Series L (Tax Exempt)**

Dated: Date of Delivery **Due: May 1, as set forth on inside cover pages**

The 2013 Series Bonds (as defined in this Official Statement) will be general obligations of Rutgers, The State University (the "University"), payable from revenues and legally available funds of the University as described in this Official Statement. The 2013 Series Bonds shall be secured under the provisions of an Indenture of Trust, dated as of February 1, 2002 (the "Master Indenture"), as supplemented, by and between the University and U.S. Bank National Association (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the "Trustee"), and a Ninth Supplemental Indenture of Trust, dated as of July 1, 2013, by and between the University and the Trustee (the "Ninth Supplemental Indenture," and together with the Master Indenture, the "Indenture").

The 2013 Series Bonds, among other things, will be issued in furtherance of the New Jersey Medical and Health Sciences Education Restructuring Act (hereinafter referred to as the "Restructuring Act"), which was signed into law on August 22, 2012. Pursuant to the Restructuring Act, all rights to certain schools, institutes and centers of The University of Medicine and Dentistry of New Jersey ("UMDNJ"), as more particularly described in this Official Statement, will be transferred to the University effective July 1, 2013 (the "Transfer Date"), and all debt issued by UMDNJ allocable to such schools, institutes and centers, will be transferred to the University therewith. A portion of the proceeds of the 2013 Series J Bonds and 2013 Series K Bonds will be used to refund certain outstanding indebtedness of UMDNJ in connection with the transfer of such UMDNJ facilities and indebtedness to the University. The terms of the Restructuring Act, as applicable to the University, were consented to and approved by the Board of Governors of the University and the Board of Trustees of the University by resolutions adopted on November 19, 2012, subject to the satisfaction of certain conditions, including, but not limited to, the defeasance and/or assumption of all UMDNJ Indebtedness (defined herein) allocable to Rowan University and University Hospital on or before the Transfer Date. The issuance and delivery of the 2013 Series Bonds allocable to the refunding of the UMDNJ Indebtedness to be Refunded (as defined herein) is conditioned upon the satisfaction of these conditions. See "NEW JERSEY MEDICAL AND HEALTH SCIENCES EDUCATION RESTRUCTURING ACT" in this Official Statement.

The 2013 Series Bonds are being issued to (i) refund certain outstanding indebtedness of the University and UMDNJ, (ii) finance and/or refinance, as the case may be, the payment of certain costs of construction of certain capital projects of the University, and (iii) finance costs of issuance with respect to the foregoing, each as more fully set forth in this Official Statement. See "PLAN OF FINANCE" herein. The 2013 Series Bonds shall not be deemed to constitute a debt or liability of the State of New Jersey nor a pledge of the faith and credit or taxing power of the State of New Jersey or of any political subdivision thereof. The University has no taxing power.

The 2013 Series Bonds are issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of interests in the 2013 Series Bonds will be made in book-entry form only. Purchasers of such interests (the "Beneficial Owners") will not receive certificates representing their interests in the 2013 Series Bonds. So long as Cede & Co., as nominee of DTC, is the owner of the 2013 Series Bonds, references herein to the owners or registered owners will mean Cede & Co., and will not mean the Beneficial Owners of the 2013 Series Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

The 2013 Series Bonds will be delivered in fully registered form in denominations of $5,000 or any integral multiple thereof. Interest on the 2013 Series Bonds is payable semi-annually on May 1 and November 1, commencing on November 1, 2013. The 2013 Series Bonds of each series and maturity will bear interest from their dated date to their maturity (or prior redemption) at the applicable rates set forth on the inside cover pages.

The 2013 Series Bonds are subject to redemption prior to maturity, including mandatory sinking fund redemption, as described under "THE 2013 SERIES BONDS — Redemption Provisions."

All legal matters incident to the authorization and issuance of the 2013 Series Bonds by the University are subject to the approval of legality by Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the University. Certain legal matters will be passed upon for the University by its General Counsel, John Farmer, Jr., Esq., New Brunswick, New Jersey, and for the Underwriters by their counsel, Edwards Wildman Palmer LLP, Madison, New Jersey. It is expected that the 2013 Series Bonds in definitive form will be available for delivery in New York, New York on or about July 1, 2013.

MORGAN STANLEY

BofA Merrill Lynch **Wells Fargo Securities**

June 14, 2013

MATURITY SCHEDULE

$340,925,000 GENERAL OBLIGATION REFUNDING BONDS, 2013 SERIES J (TAX EXEMPT)

$320,400,000 2013 Series J Serial Bonds

Maturity May 1	Principal Amount	Interest Rate	Price or Yield	CUSIP Number**
2014	$6,740,000	1.000%	0.180%	783186PJ2
2015	5,345,000	3.000	0.460	783186PK9
2016	5,490,000	4.000	0.800	783186PL7
2017	5,695,000	5.000	1.180	783186PM5
2018	3,000,000	4.000	1.560	783186PN3
2018	3,175,000	5.000	1.560	783186QE2
2019	345,000	3.000	1.900	783186PP8
2019	15,000,000	5.000	1.900	783186QF9
2020	15,275,000	5.000	2.170	783186QG7
2021	465,000	4.000	2.470	783186PQ6
2021	15,595,000	5.000	2.470	783186QH5
2022	150,000	3.250	2.750	783186PR4
2022	16,560,000	5.000	2.750	783186QJ1
2023	100,000	4.000	2.940	783186PS2
2023	17,625,000	5.000	2.940	783186QK8
2024	590,000	3.000	3.120	783186PT0
2024	17,430,000	5.000	115.810*	783186QL6
2025	180,000	3.250	3.280	783186PU7
2025	17,425,000	5.000	114.352*	783186QM4
2026	18,455,000	5.000	113.184*	783186PV5
2027	19,380,000	5.000	112.207*	783186PW3
2028	20,335,000	5.000	111.152*	783186PX1
2029	21,340,000	5.000	110.196*	783186PY9
2030	10,000,000	4.000	4.100	783186PZ6
2030	12,380,000	5.000	109.592*	783186QP7
2031	23,365,000	4.000	4.160	783186QA0
2032	10,000,000	4.000	4.190	783186QB8
2032	19,145,000	5.000	108.567*	783186QQ5
2033	19,815,000	5.000	108.227*	783186QC6

$20,525,000 2013 Series J Term Bonds

$10,000,000 4.250% Term Bonds due on May 1, 2036, Yield: 4.350% CUSIP Number 783186QD4**
$10,525,000 5.000% Term Bonds due on May 1, 2036, Priced at 107.217%* CUSIP Number 783186QN2**

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* Priced to Optional Call Date of May 1, 2023 at 100%.

** CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's. CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. CUSIP data herein is set forth for convenience of reference only. The University assumes no responsibility for the selection or uses of the CUSIP numbers or for the accuracy or correctness of such data. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2013 Series Bonds as a result of various subsequent actions.

$134,100,000 GENERAL OBLIGATION REFUNDING BONDS, 2013 SERIES K
(FEDERALLY TAXABLE)

$60,460,000 2013 Series K Serial Bonds

Maturity May 1	Principal Amount	Interest Rate	Price	CUSIP Number**
2014	$6,375,000	0.400%	100%	783186QR3
2015	5,355,000	0.918	100	783186QS1
2016	5,560,000	1.289	100	783186QT9
2017	5,585,000	1.709	100	783186QU6
2018	5,720,000	2.009	100	783186QV4
2019	7,540,000	2.342	100	783186QW2
2020	6,550,000	2.642	100	783186QX0
2021	6,300,000	3.028	100	783186QY8
2022	7,785,000	3.178	100	783186QZ5
2023	3,690,000	3.378	100	783186RA9

$73,640,000 2013 Series K Term Bonds

$30,840,000 3.928% Term Bonds due on May 1, 2028, Priced at 100% CUSIP Number 783186RB7**
$42,800,000 4.712% Term Bonds due on May 1, 2033, Priced at 100% CUSIP Number 783186RC5**

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$352,065,000 GENERAL OBLIGATION BONDS, 2013 SERIES L (TAX EXEMPT)

$107,120,000 2013 Series L Serial Bonds

Maturity May 1	Principal Amount	Interest Rate	Price or Yield	CUSIP Number**
2014	$5,900,000	1.000%	0.180%	783186RD3
2015	6,970,000	3.000	0.460	783186RE1
2016	6,735,000	4.000	0.800	783186RF8
2017	3,815,000	5.000	1.180	783186RG6
2018	4,000,000	5.000	1.560	783186RH4
2019	5,295,000	5.000	1.900	783186RJ0
2020	2,795,000	5.000	2.170	783186RK7
2021	2,935,000	5.000	2.470	783186RL5
2022	3,080,000	5.000	2.750	783186RM3
2023	3,235,000	5.000	2.940	783186RN1
2024	3,400,000	5.000	115.810*	783186RP6
2025	5,345,000	5.000	114.352*	783186RQ4
2026	5,615,000	5.000	113.184*	783186RR2
2027	5,895,000	5.000	112.207*	783186RS0
2028	6,200,000	5.000	111.152*	783186RT8
2029	6,515,000	5.000	110.196*	783186RU5
2030	6,835,000	5.000	109.592*	783186RV3
2031	7,190,000	4.000	4.160	783186RW1
2032	7,490,000	5.000	108.567*	783186RX9
2033	7,875,000	5.000	108.227*	783186RY7

$244,945,000 2013 Series L Term Bonds

$31,775,000 5.000% Term Bonds due on May 1, 2038, Priced at 106.883%* CUSIP Number 783186RZ4**
$213,170,000 5.000% Term Bonds due on May 1, 2043, Priced at 106.384%* CUSIP Number 783186SA8**

* Priced to Optional Call Date of May 1, 2023 at 100%.

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(1) On July 1, 2013, the following individuals will begin a term as member of the Board of Governors if the Board of Governors affirmatively votes at its meeting scheduled for 6/20/2013: Margaret T. Derrick, Lora L. Fong, Dudley H. Rivers, Jr.

(2) Martin Perez was appointed by Governor Christie (no senate consent required). His term starts July 1, 2013.

(3) Term ends June 30, 2013.

(4) Julie Hermann has been appointed as Director of Intercollegiate Athletics, effective June 17, 2013.

(5) On July 1, 2013, the following individuals will begin a term as member of the Board of Trustees if the Board of Trustees affirmatively votes at its meeting scheduled for 6/20/2013: Michael W. Azzara, Anthony Covington, Alan M. Crosta, Jr., Mary I, DiMartino, Amy B. Mansue, Daniel J. Phelan, Sidney D. Seligman, Ronald D. Wilson, Justine Yu.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by Rutgers, The State University (the "University") or The University of Medicine and Dentistry of New Jersey ("UMDNJ") to give any information or to make any representations with respect to the 2013 Series Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the University or UMDNJ. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2013 Series Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the University or UMDNJ. THE UNIVERSITY HAS RELIED ENTIRELY ON DTC FOR INFORMATION PERTAINING TO DTC AND THE INFORMATION INCLUDED IN "BOOK-ENTRY-ONLY SYSTEM."

Estimates and opinions included in this Official Statement should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The University does not make any representation as to the accuracy or completeness of such information. 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 parties referred to above since the date hereof. The Trustee and its counsel have not participated in the preparation of this Official Statement and disclaim any responsibility for the accuracy or completeness of the information set forth herein.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The University is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, do or do not occur.

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 FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THE OFFERING OF THE 2013 SERIES BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH 2013 SERIES BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2013 SERIES BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN ADDITION, THE 2013 SERIES BONDS HAVE NOT BEEN REGISTERED UNDER ANY STATE SECURITIES LAW.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE UNIVERSITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY.

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OFFICIAL STATEMENT

Relating to

$827,090,000
RUTGERS, THE STATE UNIVERSITY
(The State University of New Jersey)

$340,925,000	$134,100,000	$352,065,000
General Obligation Refunding Bonds, 2013 Series J (Tax Exempt)	**General Obligation Refunding Bonds, 2013 Series K (Federally Taxable)**	**General Obligation Bonds, 2013 Series L Bonds (Tax Exempt)**

INTRODUCTION

The purpose of this Official Statement is to furnish information concerning Rutgers, The State University (the "University" or "Rutgers") and its $340,925,000 aggregate principal amount of General Obligation Refunding Bonds, 2013 Series J (Tax Exempt) (the "2013 Series J Bonds"), its $134,100,000 aggregate principal amount of General Obligation Refunding Bonds, 2013 Series K (Federally Taxable) (the "2013 Series K Bonds") and its $352,065,000 aggregate principal amount of General Obligation Bonds, 2013 Series L (Tax Exempt) (the "2013 Series L Bonds" and together with the 2013 Series J Bonds and the 2013 Series K Bonds, the "2013 Series Bonds"), to be dated the date of delivery. The 2013 Series Bonds shall be secured under the provisions of an Indenture of Trust, dated as of February 1, 2002 (the "Master Indenture"), by and between the University and U.S. Bank National Association, successor to Wachovia Bank, National Association and First Union National Bank, as trustee (the "Trustee"), as supplemented and amended, including as amended and supplemented by a Ninth Supplemental Indenture of Trust, dated as of July 1, 2013, by and between the University and the Trustee (the "Ninth Supplemental Indenture," and together with the Master Indenture, the "Indenture"). The 2013 Series Bonds are authorized under the provisions of Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statutes Annotated (the "Act"), and the Indenture. The Ninth Supplemental Indenture was authorized pursuant to resolution adopted by the Board of Governors of the University (the "Board of Governors"), on April 11, 2013 with the consent and advice of the Board of Trustees of the University (the "Board of Trustees") by resolution adopted on April 25, 2013 (collectively, the "Resolutions").

The 2013 Series Bonds, among other things, will be issued in furtherance of the New Jersey Medical and Health Sciences Education Restructuring Act (hereinafter referred to as the "Restructuring Act"), which was signed into law on August 22, 2012. Pursuant to the Restructuring Act (as described further herein), rights to all of the schools, institutes and centers of The University of Medicine and Dentistry of New Jersey ("UMDNJ") other than the School of Osteopathic Medicine and University Hospital (referred to herein as "University Hospital" or "UH"), each as described herein, will be transferred to the University effective July 1, 2013 (the "Transfer Date"), and all debt issued by UMDNJ allocable to such schools, institutes and centers will be transferred to the University. A portion of the proceeds of the 2013 Series Bonds will be used to refund certain outstanding indebtedness of UMDNJ to be transferred to the University in connection with the transfer of such UMDNJ facilities to the University. The terms of the Restructuring Act, as applicable to the University, were consented to and approved by the Board of Governors and the Board of Trustees by resolutions adopted on November 19, 2012 (the "Acceptance Resolutions"), subject to the satisfaction of certain conditions, including, but not limited to, the defeasance and/or assumption of the UMDNJ Indebtedness (defined herein) allocable to Rowan University ("Rowan") and University Hospital on or before the Transfer Date. The issuance and delivery of the 2013 Series Bonds allocable to refunding a portion of the UMDNJ Indebtedness is conditioned upon the satisfaction of these conditions. See "NEW JERSEY MEDICAL AND HEALTH SCIENCES EDUCATION RESTRUCTURING ACT" in this Official Statement. The Resolutions authorized the University to issue the 2013 Series Bonds to (i) refund certain outstanding indebtedness of the University and UMDNJ, as more particularly described in this Official Statement, (ii) finance and/or refinance, as the case may be, the payment of certain costs of construction of certain capital projects of the University (the "2013 Capital Projects"), and (iii) finance costs of issuance with respect to the foregoing, each as more fully set forth in this Official Statement. See "PLAN OF FINANCE" herein. The information contained in this Official Statement is furnished in connection with the initial sale of the 2013 Series Bonds. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Indenture.

The 2013 Series Bonds will be general obligations of the University, payable from the revenues and other legally available funds of the University.

As of May 1, 2013, the University had $1,123,093,000 of outstanding indebtedness under various indentures, including the Indenture, which included $130,275,000 principal amount of Commercial Paper. After the issuance of the 2013 Series Bonds and refunding of the Indebtedness to be Refunded (as defined herein), the University will have $1,745,628,000 principal amount of outstanding indebtedness, which will include $50,715,000 principal amount of Commercial Paper. See "PLAN OF FINANCE" and "APPENDIX A-1 - INFORMATION CONCERNING RUTGERS, THE STATE UNIVERSITY — Outstanding Indebtedness of the University."

THE 2013 SERIES BONDS

General

The 2013 Series Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. The 2013 Series Bonds will be dated the date of delivery, will bear interest from the date of delivery, payable on each May 1 and November 1, commencing November 1, 2013, at the rates, and will mature on May 1 of each of the designated years in the principal amounts, all as set forth on the inside cover pages of this Official Statement.

The 2013 Series Bonds are subject to redemption under certain circumstances as summarized under "THE 2013 SERIES BONDS — Redemption Provisions."

Redemption Provisions

Redemption Procedures

When 2013 Series Bonds (or portions thereof) are to be redeemed, the University must give or cause to be given notice of the redemption of any 2013 Series Bonds to the Trustee no later than thirty-five (35) days prior to the redemption date. Thereafter, the Trustee must give or cause to be given notice of the redemption of the 2013 Series Bonds (or portions thereof) in the name of the University, which notice must specify: (i) the 2013 Series Bonds to be redeemed in whole or in part; (ii) the redemption date; (iii) the numbers and other distinguishing marks of the 2013 Series Bonds to be redeemed (except in the event that all of the Outstanding Bonds are to be redeemed); and (iv) that such 2013 Series Bonds will be redeemed at the designated corporate trust office of the Trustee. Such notice must further state that on such date there is due and payable upon each 2013 Series Bond (or a portion thereof) to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon ceases to accrue. Such notice must be given not more than sixty (60) nor less than thirty (30) days (or such shorter period as may be established by the Indenture) prior to the redemption date, by the Trustee by mail, postage prepaid, to the Bondowners of any 2013 Series Bonds that are to be redeemed, at their addresses appearing on the registration books maintained by the Trustee. Notice having been given in accordance with the foregoing, failure to receive any such notice by any of such Bondowners or any defect therein, will not affect the redemption or the validity of the proceedings for the redemption of the 2013 Series Bonds.

With respect to any notice of optional redemption, unless, upon the giving of such notice, such 2013 Series Bonds shall be deemed to have been paid, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the Redemption Price thereof, together with accrued interest on such 2013 Series Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the University shall not be required to redeem such 2013 Series Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall 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.

If less than all of the 2013 Series Bonds of any series and maturity are to be so redeemed, the 2013 Series Bonds (or portions thereof) to be so redeemed will be selected by the Trustee as set forth below under the section "THE 2013 SERIES BONDS – Redemption Provisions - Redemption in Part." In addition to the provisions set forth above, the redemption of the 2013 Series Bonds will be effected in accordance with Article III of the Master Indenture.

Redemption in Part

Whenever any 2013 Series Bonds of a series are to be called for redemption in part, such 2013 Series Bonds may be called for redemption in any order of maturity and in any principal amount within a maturity as the University may designate, and in the case of any 2013 Series Bonds subject to scheduled mandatory redemption, the University may designate whether such partial redemption shall be credited against the principal amount due at maturity or against particular scheduled Sinking Fund Installments with respect to such 2013 Series Bonds.

The 2013 Series J Bonds and 2013 Series L Bonds to be so redeemed within any maturity shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee.

Upon surrender of any 2013 Series Bond redeemed in part only, the University shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of the University, a new 2013 Series Bond or 2013 Series Bonds of Authorized Denominations and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the 2013 Series Bond surrendered. The 2013 Series Bonds shall be redeemed only in Authorized Denominations.

Pursuant to the Indenture, if less than all of the 2013 Series K Bonds of a maturity shall be called for redemption, such 2013 Series K Bonds of a maturity shall be redeemed in part, on a pro rata basis; provided that, so long as the 2013 Series Bonds are held in book-entry-only form, the selection for redemption of such 2013 Series K Bonds of a maturity shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata basis, the 2013 Series K Bonds will be selected for redemption in accordance with DTC procedures, by lot or in such other manner as is in accordance with applicable DTC operational arrangements. Neither the University nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate partial redemptions among beneficial owners of the 2013 Series K Bonds of a maturity on a pro rata basis. See "BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

Redemption of the 2013 Series J Bonds

Optional Redemption. The 2013 Series J Bonds maturing on or after May 1, 2024 are subject to optional redemption prior to maturity, on or after May 1, 2023, as a whole or in part at any time, at 100% of the principal amount of the 2013 Series J Bonds or portions thereof to be redeemed, in each case together with accrued interest to the redemption date, at the option of the University (which option shall be exercised upon the giving of notice by the University to the Trustee of its intention to prepay the 2013 Series J Bonds).

Sinking Fund Installment Redemption. The 2013 Series J Bonds issued as term bonds maturing on May 1, 2036 and bearing interest at 4.250% will be subject to mandatory sinking fund installment redemption on each May 1, commencing on May 1, 2034, from moneys in the Sinking Fund Installment Account of the Debt Service Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on May 1 of the years and in the amounts set forth below:

Year	Principal Amount
2034	$2,070,000
2035	2,180,000
2036*	5,750,000

*Maturity

The 2013 Series J Bonds issued as term bonds maturing on May 1, 2036 and bearing interest at 5.000% will be subject to mandatory sinking fund installment redemption on each May 1, commencing on May 1, 2034, from moneys in the Sinking Fund Installment Account of the Debt Service Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on May 1 of the years and in the amounts set forth below:

Year	Principal Amount
2034	$2,215,000
2035	2,305,000
2036*	6,005,000

*Maturity

Redemption of the 2013 Series K Bonds

Optional Make Whole Redemption. The 2013 Series K Bonds are subject to optional redemption prior to maturity at the option of the University, in whole or in part, on any Business Day, at a redemption price (the "Make-Whole Redemption Price"), which is the greater of (1) 100% of the principal amount of the 2013 Series K Bonds to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2013 Series K Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2013 Series K Bonds are to be redeemed, discounted to the date on which the 2013 Series K Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (hereinafter defined), plus basis points as set forth below, plus, in each case, accrued and unpaid interest on the 2013 Series K Bonds to be redeemed on the redemption date:

Maturity Date (May 1)	Adjusted Treasury Rate Plus Spread
2014-2023, inclusive	15 bps
2028	30 bps
2033	25 bps

The Make-Whole Redemption Price of the 2013 Series K Bonds described in the prior paragraph will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the University to calculate such Redemption Price. The Trustee and the University may conclusively rely on the determination of such Redemption Price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

The "Treasury Rate" is, as of the date of publication of the notice of redemption (the "Redemption Notice Date"), the yield to maturity, as of the Redemption Notice Date, of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the "Statistical Release") that has become publicly available at least two Business Days prior to the Redemption Notice Date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Redemption Notice Date to the maturity date of the 2013 Series K Bonds to be redeemed; provided, however, that if the period from the Redemption Notice Date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Sinking Fund Installment Redemption. Subject to the terms of the Indenture relating to the pro-rata reduction of mandatory sinking fund installments in certain circumstances as described in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND NINTH SUPPLEMENTAL INDENTURE" hereto, the 2013 Series K Bonds issued as term bonds maturing on May 1, 2028 will be subject to mandatory sinking fund installment redemption on each May 1, commencing on May 1, 2024, from moneys in the Sinking Fund Installment Account of the Debt Service Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on May 1 of the years and in the amounts set forth below:

Year	Principal Amount
2024	$6,475,000
2025	5,985,000
2026	6,180,000
2027	5,995,000
2028*	6,205,000

*Maturity

Subject to the terms of the Indenture relating to the pro-rata reduction of mandatory sinking fund installments in certain circumstances as described in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND NINTH SUPPLEMENTAL INDENTURE" hereto, the 2013 Series K Bonds issued as term bonds maturing on May 1, 2033, will be subject to mandatory sinking fund installment redemption on each May 1, commencing on May 1, 2029, from moneys in the Sinking Fund Installment Account of the Debt Service Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on May 1 of the years and in the amounts set forth below:

Year	Principal Amount
2029	$6,465,000
2030	6,750,000
2031	7,080,000
2032	7,405,000
2033*	15,100,000

*Maturity

Redemption of the 2013 Series L Bonds

Optional Redemption. The 2013 Series L Bonds maturing on or after May 1, 2024 are subject to optional redemption prior to maturity, on or after May 1, 2023, as a whole or in part at any time, at 100% of the principal amount of the 2013 Series L Bonds or portions thereof to be redeemed, in each case together with accrued interest to the redemption date, at the option of the University (which option shall be exercised upon the giving of notice by the University to the Trustee of its intention to prepay the 2013 Series L Bonds).

Sinking Fund Installment Redemption. The 2013 Series L Bonds issued as term bonds maturing on May 1, 2038 will be subject to mandatory sinking fund installment redemption on each May 1, commencing on May 1, 2034, from moneys in the Sinking Fund Installment Account of the Debt Service Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on May 1 of the years and in the amounts set forth below:

Year	Principal Amount
2034	$9,035,000
2035	3,750,000
2037	9,245,000
2038*	9,745,000

*Maturity

The 2013 Series L Bonds issued as term bonds maturing on May 1, 2043 will be subject to mandatory sinking fund installment redemption on each May 1, commencing on May 1, 2039, from moneys in the Sinking Fund Installment Account of the Debt Service Fund, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, on May 1 of the years and in the amounts set forth below:

Year	Principal Amount
2039	$8,395,000
2040	8,860,000
2041	62,145,000
2042	65,255,000
2043*	68,515,000

*Maturity

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each respective bond year ending April 30, the amounts required in such year for payment of debt service on the University's outstanding $110,000,000 original principal amount of General Obligation Refunding Bonds, 2002 Series A (the "2002 Series A Bonds"), $24,805,000 original principal amount of General Obligation Bonds, 2003 Series D (the "2003 Series D Bonds"), $233,105,000 original principal amount of General Obligation Bonds, 2009 Series F (the "2009 Series F Bonds"), $80,000,000 original principal amount of General Obligation Bonds, 2009 Series G (the "2009 Series G Bonds"), $390,990,000 original principal amount of General Obligation Bonds, 2010 Series H (the "2010 Series H Bonds") and $40,830,000 General Obligation Bonds, 2010 Series I (the "2010 Series I Bonds") (collectively, the "Prior General Obligation Bonds"), the payment of principal, Sinking Fund Installments of and interest on the 2013 Series Bonds, and the total debt service for the Prior General Obligation Bonds and the 2013 Series Bonds. The debt service schedule incorporates the assumption, payment or defeasance by the University of all bonded indebtedness of UMDNJ allocable to the University after July 1, 2013.

Principal payments or Sinking Fund Installments are due on each May 1 immediately succeeding each April 30 as listed below.

Bond Year Ending April 30	Debt Service on Prior General Obligation Bonds*	2013 Series J Bonds		2013 Series K Bonds		2013 Series L Bonds		Total Debt Service**
		Principal	Interest	Principal	Interest	Principal	Interest	
2014	$ 56,360,338	$ 6,740,000	$ 13,371,729	$ 6,375,000	$ 3,747,732	$ 5,900,000	$ 14,240,500	$ 106,735,299
2015	53,729,515	5,345,000	15,978,675	5,355,000	4,471,778	6,970,000	17,029,600	108,879,568
2016	53,385,225	5,490,000	15,818,325	5,560,000	4,422,619	6,735,000	16,820,500	108,231,669
2017	51,122,467	5,695,000	15,598,725	5,585,000	4,350,951	3,815,000	16,551,100	102,718,243
2018	51,094,376	6,175,000	15,313,975	5,720,000	4,255,503	4,000,000	16,360,350	102,919,204
2019	43,999,800	15,345,000	15,035,225	7,540,000	4,140,589	5,295,000	16,160,350	107,515,964
2020	42,051,727	15,275,000	14,274,875	6,550,000	3,964,002	2,795,000	15,895,600	100,806,204
2021	42,055,735	16,060,000	13,511,125	6,300,000	3,790,951	2,935,000	15,755,850	100,408,660
2022	42,046,110	16,710,000	12,712,775	7,785,000	3,600,187	3,080,000	15,609,100	101,543,172
2023	42,054,367	17,725,000	11,879,900	3,690,000	3,352,779	3,235,000	15,455,100	97,392,146
2024	41,979,463	18,020,000	10,994,650	6,475,000	3,228,131	3,400,000	15,293,350	99,390,595
2025	41,975,290	17,605,000	10,105,450	5,985,000	2,973,793	5,345,000	15,123,350	99,112,883
2026	45,540,516	18,455,000	9,228,350	6,180,000	2,738,702	5,615,000	14,856,100	102,613,668
2027	45,533,513	19,380,000	8,305,600	5,995,000	2,495,952	5,895,000	14,575,350	102,180,415
2028	45,510,132	20,335,000	7,336,600	6,205,000	2,260,468	6,200,000	14,280,600	102,127,801
2029	45,498,217	21,340,000	6,319,850	6,465,000	2,016,736	6,515,000	13,970,600	102,125,403
2030	45,527,074	22,380,000	5,252,850	6,750,000	1,712,105	6,835,000	13,644,850	102,101,879
2031	45,495,848	23,365,000	4,233,850	7,080,000	1,394,045	7,190,000	13,303,100	102,061,843
2032	45,472,487	29,145,000	3,299,250	7,405,000	1,060,436	7,490,000	13,015,500	106,887,673
2033	45,439,670	19,815,000	1,942,000	15,100,000	711,512	7,875,000	12,641,000	103,524,182
2034	45,420,654	4,285,000	951,250	-	-	9,035,000	12,247,250	71,939,154
2035	51,162,616	4,485,000	752,525	-	-	3,750,000	11,795,500	71,945,641
2036	51,126,214	11,755,000	544,625	-	-	-	11,608,000	75,033,839
2037	51,089,186	-	-	-	-	9,245,000	11,608,000	71,942,186
2038	51,053,642	-	-	-	-	9,745,000	11,145,750	71,944,392
2039	52,891,521	-	-	-	-	8,395,000	10,658,500	71,945,021
2040	52,846,843	-	-	-	-	8,860,000	10,238,750	71,945,593
2041	-	-	-	-	-	62,145,000	9,795,750	71,940,750
2042	-	-	-	-	-	65,255,000	6,688,500	71,943,500
2043	-	-	-	-	-	68,515,000	3,425,750	71,940,750
TOTAL	$1,281,462,546	$340,925,000	$212,762,179	$134,100,000	$60,688,972	$352,065,000	$399,793,600	$2,781,797,297

*Excludes Indebtedness to be Refunded. See "PLAN OF FINANCE" herein. Excludes the portion of the debt service payable on the NJEFA Capital Improvement Fund, Series 2005A and 2006A Bonds of UMDNJ, and certain lines of credit and mortgage and note obligations of UMDNJ, to be assumed by the University as of July 1, 2013. The 2010 Series I Bonds included herein reflect interest costs net of a 35% federal subsidy.

** Includes all bonded debt of UMDNJ allocable to the University after July 1, 2013.

SECURITY FOR THE BONDS

General

The Indenture provides that the 2013 Series Bonds shall be direct and general obligations of the University, and that the full faith and credit of the University shall be pledged for the payment of the principal and Redemption Price thereof and interest thereon; provided, however, there shall be excluded from the pledge of the Indenture any revenues, moneys, securities or funds heretofore or hereafter specially pledged by the University for the payment of other bonds, notes or other indebtedness. Payment of the principal and Redemption Price of the 2013 Series Bonds and the interest thereon shall be additionally secured equally and ratably under the Indenture by a pledge of the revenues set aside by the University and received by the Trustee and all the moneys or securities held or set aside by the Trustee under the Indenture (other than amounts held in the Rebate Fund). In addition, the University has reserved the right pursuant to the Indenture to issue Additional Bonds for Additional Projects permitted thereunder upon the terms and conditions set forth therein. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND NINTH SUPPLEMENTAL INDENTURE—Additional Bonds for Additional Projects and Other Purposes" herein.

Further, the University has covenanted in the Indenture that it will at all times charge and collect tuition, fees, rents, charges and other revenues which, together with other legally available funds, shall be sufficient to make all payments as the same become due of principal, interest and Sinking Fund Installments with respect to any and all Indebtedness of the University and to meet all other obligations of the University.

The 2013 Series Bonds shall not be deemed to constitute a debt or liability of the State of New Jersey (the "State") nor a pledge of the faith and credit of or taxing power of the State or any political subdivision thereof. The University has no taxing power.

Additional Bonds

One or more Series of Additional Bonds may be issued under and secured by the Indenture for the purpose of providing funds for each Additional Project (including for the purpose of completing any Project or the funding of any deficiency in the Debt Service Reserve Fund if required pursuant to the respective Supplemental Indenture). The Bonds of each such Series shall be authenticated and delivered by the Trustee only upon receipt by it of, among other things, a certificate of an Authorized Officer of the University stating that the University is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture.

BOOK-ENTRY-ONLY SYSTEM

Payment of principal of, premium, if any, and interest on the 2013 Series Bonds will be made directly to The Depository Trust Company ("DTC"), New York, New York, or its nominee, Cede & Co., by the Trustee. In the event the 2013 Series Bonds are not in a book-entry-only system, payment of principal of, premium, if any, and interest on the 2013 Series Bonds will be made as described in the Indenture.

The information in this Official Statement concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the University takes no responsibility for the completeness or accuracy thereof. The University cannot and does not give any assurances that DTC, DTC Direct Participants or DTC Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2013 Series Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2013 Series Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2013 Series Bonds, or that they will so do on a timely basis, or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described under this heading. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC acts as securities depository for the 2013 Series Bonds. The 2013 Series Bonds are 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 security certificate will be issued for each maturity of each series of the 2013 Series Bonds, each in the aggregate principal amount of such maturity to be issued, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2013 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Series Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 Series 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 2013 Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2013 Series Bonds, except in the event that use of the book-entry system for the 2013 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2013 Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2013 Series 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 2013 Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Series 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 2013 Series Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Series Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2013 Series Bonds may wish to ascertain that the nominee holding the 2013 Series 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 notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the 2013 Series Bonds within a particular series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 Series Bonds unless authorized by a Direct Participant in accordance with

DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University 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 2013 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption, principal and interest payments on the 2013 Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT PARTICIPANTS, DTC INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC DIRECT PARTICIPANTS, DTC INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

DTC may discontinue providing its services with respect to the 2013 Series Bonds at any time by giving reasonable notice to the University or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2013 Series Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2013 Series Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

NEW JERSEY MEDICAL AND HEALTH SCIENCES EDUCATION RESTRUCTURING ACT

General

The Restructuring Act transfers the rights to all the schools, institutes and centers of UMDNJ other than the School of Osteopathic Medicine and University Hospital (the "Rutgers-UMDNJ Schools"), into Rutgers, effective on the Transfer Date. Concurrently with the transfer of the Rutgers-UMDNJ Schools to Rutgers, (i) all rights to the School of Osteopathic Medicine (the "Rowan-UMDNJ Schools") will be transferred to Rowan, a State university located in Glassboro, New Jersey, with a campus in Camden, New Jersey ("Camden"), and (ii) UH will continue to serve as the principal teaching hospital in Newark as a body corporate and politic and an instrumentality of the State, treated and accounted for as a separate non-profit legal entity from Rutgers. Additionally, certain transfers are being made pursuant to Reorganization Plan No. 02-2009, which became effective on August 24, 2009 with the force and effect of law and result in the transfer of UMDNJ's Robert Wood Johnson Medical School - Camden activities to Rowan. In addition, the activities of UMDNJ's Broadway House for Continuing Care will be aligned with UH after July 1, 2013.

In addition to providing for the transfer and integration of the schools, institutes, centers and facilities of UMDNJ, as specified above, the Restructuring Act provides for the transfer of all debts of UMDNJ associated with the Rutgers-UMDNJ Schools to Rutgers, and all debts of UMDNJ associated with the Rowan-UMDNJ Schools to Rowan, and all debts associated with UH to UH, ensuring that all creditors of UMDNJ may enforce those debts against Rutgers, Rowan and UH, respectively, after the Transfer Date. The Restructuring Act further provides that all appropriations, grants and other moneys available and to become available to the Rutgers-UMDNJ Schools, the Rowan-UMDNJ Schools and UH will be transferred to Rutgers, Rowan and UH, respectively, to be made available for the objects and purposes for which appropriated, subject to any terms, restrictions, limitations or other requirements imposed by the State budget and federal law.

The Restructuring Act provides protections for UMDNJ employees relative to the enactment of the legislation and creates a labor management committee for review of, and advice on, the restructuring and reorganization plans regarding personnel and labor matters.

The Restructuring Act specifically states that the provisions of each of the transfers of the schools, functions, institutes, campuses and centers of UMDNJ, and rights, assets and privileges thereof, shall be considered to be interdependent and essential to the intent and purpose of the Restructuring Act and shall be non-severable, and if any of the transfers to Rutgers, Rowan or UH shall be deemed unenforceable or invalid, the remaining transfers shall be unenforceable and invalid.

Additional Provisions Relating to the University

The Restructuring Act was adopted with the aim of establishing a first-class comprehensive public research university-based health science center in New Jersey through the transfer of the Rutgers-UMDNJ Schools to Rutgers. In addition to the core provisions described above, the Restructuring Act also creates a new organizational unit within the University known as "Rutgers Biomedical and Health Sciences," which will include the Rutgers School of Nursing, the Ernest Mario School of Pharmacy, and the Institute for Health, Health Care Policy and Aging Research, along with those parts of UMDNJ being transferred to Rutgers: Robert Wood Johnson Medical School, New Jersey Medical School, New Jersey Dental School, Graduate School of Biomedical Sciences, School of Health Related Professions, School of Nursing, School of Public Health, and University Behavioral HealthCare. The President of Rutgers, with the consent of the Board of Governors, will appoint a chancellor to head this new unit. In addition, there will be provosts for biomedical and health sciences on both the Newark and the New Brunswick Campuses, also appointed by the President, and reporting to the chancellor, to implement and oversee the programs on those campuses and to facilitate research and teaching synergies with other Rutgers units.

The Restructuring Act also establishes The Cancer Institute of New Jersey (CINJ) as an independent institute within the Rutgers Biomedical and Health Sciences. CINJ will be a distinct and separate institute at Rutgers.

The Camden Campus will remain an integral part of Rutgers with academic, promotion and tenure oversight by the Board of Governors. The Camden Campus, headed by a chancellor, will have a Rutgers-Camden board of directors, which will be composed of ten members, as follows: the chancellor of Rutgers-Camden who will serve as an ex-officio, nonvoting member; three members appointed by the Board of Governors of Rutgers; two members appointed by the Board of Trustees of Rutgers from among its non-public members; and four members who are residents of the southern counties of New Jersey (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem Counties), appointed by the Governor with the advice and consent of the Senate.

A separate Rowan–Rutgers-Camden board of governors will also be created with responsibilities limited to new and expanded programs in the health sciences. The Rowan-Rutgers-Camden board of governors will be composed of seven members, as follows: two members appointed by the board of trustees of Rowan from among its members; two members appointed by the Rutgers-Camden board of directors from among its members; and three members appointed by the Governor with the advice and consent of the Senate.

The Newark and New Brunswick Campuses will each be headed by a chancellor appointed by the President of the University. Each will also have an advisory board that will work with the chancellor to implement the teaching, research, and service missions of the University.

Pursuant to the Restructuring Act, the Board of Governors will be expanded from 11 to 15 members, with eight members appointed by the Governor of New Jersey and seven selected by the Board of Trustees.

Conditions to Transfer

Pursuant to a legislative compact entered into between the University and the State of New Jersey in 1956, which was codified in the Act, also referred to herein as the "Rutgers Law," changes to the University such as those contemplated by the Restructuring Act can only be implemented with the consent of the Board of Governors and Board of Trustees. The terms of the Restructuring Act, as applicable to Rutgers, were consented to and approved by the Board of Governors and the Board of Trustees, as required by the Rutgers Law, in the Acceptance Resolutions, subject to the satisfaction of certain terms and conditions, including, among other things, the following:

- the refinancing, assumption or defeasance by Rowan of all of the UMDNJ debt allocable to the Rowan-UMDNJ Schools (approximately $55.4 million), on or before the Transfer Date; and

- the refinancing, assumption or defeasance by or on behalf of UH, of all of the UMDNJ debt allocable to UH (approximately $78.0 million), on or before the Transfer Date.

The Resolutions of the Board of Governors and the Board of Trustees approving the issuance of the 2013 Series Bonds explicitly condition such approval on a finding by the President of the University, consented to by the Executive Committee of the Board of Governors, the Executive Committee of the Board of Trustees and the Chair of the Finance and Facilities Committee of the Board of Governors, finding that all terms and conditions set forth in the Acceptance Resolutions, including those set forth above, have been satisfied. Consequently, the refinancing or defeasance of the respective outstanding indebtedness of UMDNJ by Rowan, and by or on behalf of, UH, each on or before the Transfer Date, is a condition to the issuance of the 2013 Series J Bonds and 2013 Series K Bonds allocable to the refunding of the UMDNJ Indebtedness to be Refunded (as defined below). The University, Rowan and UH have been working together to coordinate the assumption, refinancing or defeasance of their respective allocable share of the UNDNJ Indebtedness.

The restructuring and reorganization of all UMDNJ facilities on the Transfer Date is subject to satisfaction of the terms and conditions set forth in the Restructuring Act, the Acceptance Resolutions and related transaction documents. The payment, assumption or defeasance of the respective outstanding indebtedness of UMDNJ by Rutgers, Rowan and UH on or before the Transfer Date are interdependent and essential conditions to the transfer of the UMDNJ facilities and the delivery of the 2013 Series J Bonds and 2013 Series K Bonds allocable to the refunding of the UMDNJ Indebtedness to be Refunded.

For more information regarding the Restructuring Act, see "APPENDIX A-1 – INFORMATION CONCERNING RUTGERS, THE STATE UNIVERSITY," "APPENDIX A-2 – INFORMATION CONCERNING THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY)," and "APPENDIX A-3 – UNAUDITED COMBINING SCHEDULES OF NET ASSETS, AS ADJUSTED, AND UNAUDITED COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, AS ADJUSTED, OF THE UNIVERSITY AND UMDNJ, AND OTHER DISCLOSURES RELATED TO THE TRANSFERRED UNITS," to this Official Statement.

PLAN OF FINANCE

The 2013 Refunding Projects

The 2013 Refunding Projects consist of refunding, with a portion of the proceeds of the 2013 Series Bonds, together with funds held under the respective indentures of trust and resolutions, including the Indenture, all or a portion of the debt of the University (the "University Indebtedness to be Refunded") and the debt of UMDNJ allocable to the University (the "UMDNJ Indebtedness to be Refunded," and collectively, the "Indebtedness to be Refunded") listed on the table below. Pursuant to the plan of refunding for the Indebtedness to be Refunded established by the University, on each of the dates set forth below (each, a "Redemption Date"), the applicable series or subseries of the Indebtedness to be Refunded will be called for early redemption in whole or in part at the Redemption Price, plus accrued interest to the Redemption Date:

UMDNJ Indebtedness to be Refunded
(from a portion of the proceeds of the 2013 Series J Bonds and 2013 Series K Bonds)

	Principal Amount ($000)	Redemption Date	Redemption Price
UMDNJ Certificates of Participation, 1997 Series A	$12,245	7/31/2013	102%
UMDNJ Certificates of Participation, 1997 Series B	3,075	7/31/2013	102
NJEDA Lease Revenue Bonds, Series 2000	38,270	7/31/2013	100
UMDNJ Bonds, 2002 Series A*	94,505	7/31/2013	100
UMDNJ Certificates of Participation, Series 2003	49,220	7/31/2013	100
UMDNJ Certificates of Participation, Series 2004	75,320	6/15/2014	100
NJEFA Revenue Refunding Bonds, Series 2009B*	214,885	6/1/2019	100
Total UMDNJ Indebtedness to be Refunded	**$487,520**		

*Amounts reflect the allocable portion of UMDNJ Indebtedness to be Refunded and defeased by the University.

University Indebtedness to be Refunded
(from a portion of the proceeds of the 2013 Series L Bonds)

	Principal Amount ($000)	Redemption Date	Redemption Price
General Obligation Bonds, 2002 Series B	$24,065	7/31/2013	100%
General Obligation Bonds, 2003 Series C	26,360	7/31/2013	100
General Obligation Bonds, 2004 Series E	72,360	5/1/2014	100
Commercial Paper	79,340	N/A	100
Total University Indebtedness to be Refunded	**$202,125**		

U.S. Bank National Association, acting as escrow trust agent (the "UMDNJ 1997 Series A/B Escrow Agent"), and the University will enter into an Escrow Trust Agreement, dated as of July 1, 2013 (the "UMDNJ 1997 Series A/B Escrow Trust Agreement"), pursuant to which there will be created a special and irrevocable escrow trust account, the "UMDNJ 1997 Series A/B

Escrow Account" to be held by the UMDNJ 1997 Series A/B Escrow Agent in trust for the payment of the principal of and redemption premium, if any, and interest on the UMDNJ Certificates of Participation, 1997 Series A and UMDNJ Certificates of Participation, 1997 Series B to be refunded, to the Redemption Date, with a portion of the proceeds of the 2013 Series J Bonds.

T.D. Bank, N.A., acting as escrow trust agent (the "NJEDA Series 2000 Escrow Agent"), the University and the New Jersey Economic Development Authority (the "NJEDA") will enter into an Escrow Deposit Agreement, dated as of July 1, 2013 (the "NJEDA Series 2000 Escrow Deposit Agreement"), pursuant to which there will be created a special and irrevocable escrow trust fund, the "NJEDA Series 2000 Escrow Fund" to be held by the NJEDA Series 2000 Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on the portion of the NJEDA Lease Revenue Bonds, Series 2000 to be refunded, to the Redemption Date, with a portion of the proceeds of the 2013 Series J Bonds.

U.S. Bank National Association, acting as escrow trust agent (the "UMDNJ 2002 Series A Escrow Agent"), the University, Rowan and UH will enter into an Escrow Trust Agreement, dated as of July 1, 2013 (the "UMDNJ 2002 Series A Escrow Trust Agreement"), pursuant to which there will be created a special and irrevocable escrow trust fund to be comprised of three escrow subaccounts, collectively, the "UMDNJ 2002 Series A Escrow Accounts," each to be held by the UMDNJ 2002 Series A Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on all of the UMDNJ Bonds, 2002 Series A (the "2002 UMDNJ Bonds") to be refunded, to the Redemption Date, with a portion of the proceeds of the 2013 Series J Bonds, a portion of the proceeds of The Camden County Improvement Authority Lease Revenue Refunding Bonds (Rowan University School of Osteopathic Medicine Project), Series 2013A (Tax-Exempt) (the "Rowan 2013 Series A Bonds") and a portion of the proceeds of the New Jersey Health Care Financing Facilities Authority Revenue Refunding Bond Anticipation Notes, University Hospital Issue, Series 2013A (Tax-Exempt) (the "UH Series 2013A Notes").

U.S. Bank National Association, acting as escrow trust agent (the "UMDNJ Series 2003 Escrow Agent"), and the University will enter into an Escrow Trust Agreement, dated as of July 1, 2013 (the "UMDNJ Series 2003 Escrow Trust Agreement"), pursuant to which there will be created a special and irrevocable escrow trust account, the "UMDNJ Series 2003 Escrow Account" to be held by the UMDNJ Series 2003 Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on the UMDNJ Certificates of Participation, Series 2003 (the "2003 UMDNJ Certificates") to be refunded, to the Redemption Date, with a portion of the proceeds of the 2013 Series J Bonds.

U.S. Bank National Association, acting as escrow trust agent (the "UMDNJ Series 2004 Escrow Agent"), and the University will enter into an Escrow Trust Agreement, dated as of July 1, 2013 (the "UMDNJ Series 2004 Escrow Trust Agreement"), pursuant to which there will be created a special and irrevocable escrow trust account, the "UMDNJ Series 2004 Escrow Account" to be held by the UMDNJ Series 2004 Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on the UMDNJ Certificates of Participation, Series 2004 to be refunded, to the Redemption Date, with a portion of the proceeds of the 2013 Series J Bonds.

U.S. Bank National Association, acting as escrow trust agent (the "NJEFA Series 2009B Escrow Agent"), the University, Rowan, UH and the NJEFA will enter into an Escrow Deposit Agreement, dated as of July 1, 2013 (the "NJEFA Series 2009B Escrow Deposit Agreement"), pursuant to which there will be created a special and irrevocable escrow trust fund comprised of six escrow trust subaccounts, collectively, the "NJEFA Series 2009B Escrow Sub-Accounts," each to be held by the NJEFA Series 2009B Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on all of the NJEFA Revenue Refunding Bonds, Series 2009B to be refunded, to the Redemption Date, with a portion of the proceeds of the 2013 Series J Bonds, the 2013 Series K Bonds, the Rowan 2013 Series A Bonds and The Camden County Improvement Authority Lease Revenue Refunding Bonds (Rowan University School of Osteopathic Medicine Project) (Federally Taxable), Series 2013B (the "Rowan 2013 Series B Bonds" and together with the Rowan 2013 Series A Bonds, the "Rowan 2013 Series Bonds") to be issued on behalf of Rowan, and the UH Series 2013A Notes and the New Jersey Health Care Financing Facilities Authority Revenue Refunding Bond Anticipation Notes, University Hospital Issue, Series 2013B (Federally Taxable) (the "UH Series 2013B Notes," and together with the UH Series 2013A Notes, the "UH Series 2013 Notes").

Certain of the University's outstanding Commercial Paper, in the aggregate principal amount of $79,340,000, will be retired from a portion of the proceeds of the 2013 Series L Bonds. Such Commercial Paper was used on an interim basis to finance several of the capital projects listed below under the heading "The 2013 Capital Projects."

U.S. Bank National Association, acting as escrow trust agent (the "Rutgers Escrow Agent"), and the University will enter into an Escrow Trust Agreement, dated as of July 1, 2013 (the "Rutgers Escrow Trust Agreement"), pursuant to which there will be created three special and irrevocable escrow trust accounts, the the "2002 Series B Subaccount," the "2003 Series C Subaccount," and the "2004 Series E Subaccount," each to be held by the Rutgers Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on the University Indebtedness to be Refunded with a portion of the proceeds of the 2013 Series L Bonds.

The 2013 Capital Projects

The 2013 Capital Projects consist of (A) the financing of all or a portion of various capital projects for the New Brunswick, Newark and Camden campuses of the University to be financed from a portion of the proceeds of a portion of the 2013 Series L Bonds; and (B) the refinancing of certain of the University's Commercial Paper (described above), the proceeds of which were applied for the financing of all or a portion of certain priority capital projects; which 2013 Capital Projects include, but are not limited to:

New Brunswick Campus

Rutgers Business School – A new instruction building is being constructed on the Livingston Campus in Piscataway. The project is expected to cost approximately $85.0 million, of which $23.5 million has been interim-financed with Commercial Paper, which will be refunded from a portion of the proceeds of the 2013 Series L Bonds. The remaining project costs will be financed from $51.5 million of proceeds of the 2013 Series L Bonds and $10.0 million from other sources. It is scheduled to be completed in academic year 2013/14.

RU Press at Gateway Building – A condominium interest in the gateway building located on the College Avenue Campus in New Brunswick will provide office/administrative space. The project cost of $3.6 million has been interim-financed with Commercial Paper, which will be refunded from gifts and a portion of the proceeds of the 2013 Series L Bonds. It is expected to be placed in service during the academic year 2012/13.

Atlantic Cape Community College Building – A classroom and instruction space located off campus at Atlantic Cape County Community College in south New Jersey was placed in service during academic year 2012/13. The total project cost was $7.5 million, of which $6.2 million was interim-financed with Commercial Paper, which will be refunded from a portion of the proceeds of the 2013 Series L Bonds, and $0.5 million were financed from other sources. The remaining project costs of $0.8 million will be financed from a portion of the proceeds of the 2013 Series L Bonds.

Chemistry and Chemical Biology Building – A class instruction, laboratory and collaborative space on the Busch Campus in Piscataway will be placed in service during academic year 2015/16. The project is expected to cost $115.0 million, of which $82.0 million is expected to be financed from grant funds made available from the proceeds of State bonds (the "Building Our Future Bonds") issued pursuant to the Building Our Future Bond Act, P.L. 1012 (the "Building Our Future Bond Act").[1] The remaining project costs of $33.0 million will be financed from a portion of the proceeds of the 2013 Series L Bonds.

Institute for Food, Nutrition and Health – Construction of a new three-story facility located between Foran Hall and the Center for Advanced Food Technology buildings on the Cook Campus. The project is expected to cost approximately $55.0 million, of which $35.0 million is expected to be financed from grant funds made available from the proceeds of the Building Our Future Bonds and $8.0 million will be financed from a portion of the proceeds of the 2013 Series L Bonds and $12.0 million will be financed from other sources. It is expected to be placed in service during academic year 2015/16.

Ernest Mario School of Pharmacy – An addition to the William Levine Hall Building at the Rutgers Biomedical and Health Sciences that is expected to be placed in service during academic year 2015/16. The project is expected to cost approximately $37.5 million, of which $16.8 million is expected to be financed from grant funds made available from the proceeds of the Building Our Future Bonds, $2.8 million will be financed from a portion of the proceeds of the 2013 Series L Bonds, and $18.0 million will be financed from other sources.

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[1] The State funding represents an initial award of funds determined by the New Jersey Secretary of Higher Education. Pursuant to the Building Our Future Bond Act, the projects proposed for funding are subject to Legislative review during a 60-day period following the Secretary's determination (which ends on June 28, 2013). During that 60-day time period, both houses of the Legislature may object to the projects by Concurrent Resolution, which is a resolution adopted by both houses. Absent the passage of a Concurrent Resolution by both houses, the projects are final, subject to individual grant agreements.

Newark Campus

15 Washington Street – Renovation of an old law school building to be converted into a residence hall with retail space. The project is expected to cost approximately $71.0 million, of which $10.7 million is expected to be financed from grant funding made available through the New Jersey Higher Education Facilities Trust Fund. The remaining project costs of $60.3 million will be financed from a portion of the proceeds of the 2013 Series L Bonds. The project is expected to be placed in service during academic year 2015/16.

Camden Campus

Camden Housing – A mixed-use student-housing project with 350 beds was placed in service during academic year 2012/13. The total project cost was approximately $55.0 million. $4.8 million of these costs were financed with other sources, and $46.2 million of these costs were interim-financed with Commercial Paper, which will be refunded from a portion of the proceeds of the 2013 Series L Bonds. The remaining project costs of $4.0 million will be financed from a portion of the proceeds of the 2013 Series L Bonds.

Nursing and Science Building – A specialized nursing classroom and instruction space with discovery labs and clinical skills labs for state-of-the-art teaching simulation space located in Camden is expected to be placed in service during academic year 2016/17. The project is expected to cost approximately $62.5 million, of which $46.9 million is expected to be financed from grant funds made available from the proceeds of the Building Our Future Bonds, $10.6 million will be financed from a portion of the proceeds of the 2013 Series L Bonds, and $5.0 million will be financed from other sources.

On April 29, 2013, the New Jersey Secretary of Higher Education submitted her recommendation for specific grant awards for New Jersey's institutions of higher education under multiple State programs, including the Building Our Future Bond Act, Higher Education Capital Improvement Fund, Higher Education Facilities Trust Fund, Higher Education Technology Infrastructure Fund and Higher Education Equipment Leasing Fund, to the Legislature. The awarding of the grants is subject to the applicable Legislative review process. To the extent, that Legislative approval of the recommended grants relating to the University is not received, the University may reallocate proceeds of the 2013 Series L Bonds to other capital projects.

See "ESTIMATED SOURCES AND USES OF FUNDS" herein for use of proceeds of the 2013 Series Bonds to fund all or a portion of the aforementioned 2013 Capital Projects.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2013 Series Bonds are expected to be applied as set forth below (rounded to the nearest dollar):

Sources of Funds	**Series J Bonds**	**Series K Bonds**	**Series L Bonds**	**Total**
Principal Amount of 2013 Series Bonds	$340,925,000	$134,100,000	$352,065,000	$827,090,000
Net Premium	35,322,929	--	26,898,350	62,221,279
Funds held under Prior Indentures and Resolutions	40,327,570	10,978,877	445,048	51,751,495
Total Sources of Funds	$416,575,499	$145,078,877	$379,408,398	$941,062,774
Uses of Funds				
Deposit to Escrow Funds to refund Indebtedness to be Refunded	$414,334,077	$143,766,728	$126,763,874	$684,864,679
Deposit to the Construction Account	--	--	250,305,000	250,305,000
Costs of Issuance*	2,241,422	1,312,149	2,339,524	5,893,095
Total Uses of Funds	$416,575,499	$145,078,877	$379,408,398	$941,062,774

* Costs of issuance include, among other things, legal fees, underwriters' discount, financial advisory fees, rating agency fees, accountant's fees and printing.

TAX MATTERS

Tax-Exempt 2013 Series Bonds

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the University, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2013 Series J Bonds and the 2013 Series L Bonds (collectively, the "Tax Exempt 2013 Series Bonds") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Tax Exempt 2013 Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel to the University has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University in connection with the Tax Exempt 2013 Series Bonds, and Bond Counsel to the University has assumed compliance by the University with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax Exempt 2013 Series Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the University, under existing statutes, interest on the Tax Exempt 2013 Series Bonds is exempt from the gross income of individuals under the New Jersey Gross Income Tax Act.

Bond Counsel to the University expresses no opinion regarding any other Federal or state tax consequences with respect to the Tax Exempt 2013 Series Bonds. Bond Counsel to the University renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel to the University expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Tax Exempt 2013 Series Bonds, or under State and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax Exempt 2013 Series Bonds in order that interest on the Tax Exempt 2013 Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax Exempt 2013 Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Tax Exempt 2013 Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Tax Exempt 2013 Series Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax Exempt 2013 Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax Exempt Series 2013 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Tax Exempt 2013 Series Bonds.

Prospective owners of the Tax Exempt 2013 Series Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Tax Exempt 2013 Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Tax Exempt 2013 Series Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Tax Exempt 2013 Series Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Tax Exempt 2013 Series Bonds is expected to be the initial public offering price set forth on the inside cover pages of this Official Statement. Bond Counsel to the University further is of the opinion that, for any Tax Exempt 2013 Series Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax Exempt 2013 Series Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Tax Exempt 2013 Series Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an initial owner acquires a Tax Exempt 2013 Series Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax Exempt 2013 Series Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Tax Exempt 2013 Series Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Tax Exempt 2013 Series Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax Exempt 2013 Series Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax Exempt 2013 Series Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax Exempt 2013 Series Bonds under Federal or state law or otherwise present beneficial owners of the Tax Exempt 2013 Series Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Tax Exempt 2013 Series Bonds. For example, the Fiscal Year 2014 Budget proposed on April 10, 2013 by the Obama Administration, recommends a 28% limitation on itemized deductions and "tax preferences," including "tax-exempt interest." The net effect of such proposal, if enacted into law, would be that an owner of a Tax Exempt 2013 Series Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Tax Exempt 2013 Series Bond.

Prospective purchasers of the Tax Exempt 2013 Series Bonds should consult their own tax advisors regarding the foregoing matters.

Federally Taxable 2013 Series Bonds

General

In the opinion of Bond Counsel to the University, interest on the 2013 Series K Bonds (the "Federally Taxable 2013 Series Bonds") (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt from the gross income of individuals under the New Jersey Gross Income Tax Act.

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Federally Taxable 2013 Series Bonds by original purchasers of the Federally Taxable 2013 Series Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Federally Taxable 2013 Series Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Federally Taxable 2013 Series Bonds as a position in a "hedge" or "straddle" for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Federally Taxable 2013 Series Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Federally Taxable 2013 Series Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Federally Taxable 2013 Series Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Federally Taxable 2013 Series Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders—Interest Income

Interest on the Federally Taxable 2013 Series Bonds is not excludable from gross income for United States Federal income tax purposes.

Original Issue Discount

For United States Federal income tax purposes, a Federally Taxable 2013 Series Bond will be treated as issued with original issue discount ("OID") if the excess of a Federally Taxable 2013 Series Bond's "stated redemption price at maturity" over its "issue price" equals or exceeds a statutorily determined de minimis amount. The "issue price" of each Federally Taxable 2013 Series Bond in a particular issue equals the first price at which a substantial amount of such issue 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 "stated redemption price at maturity" of a Federally Taxable 2013 Series Bond is the sum of all payments provided by such Federally Taxable 2013 Series Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Federally Taxable 2013 Series Bond's stated redemption price at maturity over its issue price is less than 0.25 percent of the Federally Taxable 2013 Series Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "de minimis amount"), then such excess, if any, constitutes de minimis OID, and the Federally Taxable 2013 Series Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Federally Taxable 2013 Series Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder of a Federally Taxable 2013 Series Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Federally Taxable 2013 Series Bond is the sum of the daily portions of OID with respect to such Federally Taxable 2013 Series Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Federally Taxable 2013 Series Bond. The daily portion of OID on any Federally Taxable 2013 Series Bond is determined by allocating to each day in any "accrual period" a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Federally Taxable 2013 Series Bond may be of any length and the accrual periods may vary in length over the term of the Federally Taxable 2013 Series Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Federally Taxable 2013 Series Bond's "adjusted issue price" at the beginning of such accrual period and such Federally Taxable 2013 Series Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Federally Taxable 2013 Series Bond at the beginning of any accrual period is the issue price of the Federally Taxable 2013 Series Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Federally Taxable 2013 Series Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Federally Taxable 2013 Series Bond (other than a payment of qualified stated interest) and (ii) the Federally Taxable 2013 Series Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all interest that accrues on a Federally Taxable 2013 Series Bond using the constant-yield method described immediately above under the heading "Original Issue Discount," with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and de minimis OID, as adjusted by any amortizable bond premium described below under the heading "Bond Premium." In applying the constant-yield method to a Federally Taxable 2013 Series Bond with respect to which this election has been made, the issue price of the Federally Taxable 2013 Series Bond will equal its cost to the electing U.S. Holder, the issue date of the Federally Taxable 2013 Series Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Federally Taxable 2013 Series Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Federally Taxable 2013 Series Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Federally Taxable 2013 Series Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Federally Taxable 2013 Series Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Federally Taxable 2013 Series Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Federally Taxable 2013 Series Bonds.

Acquisition Discount on Short-Term Taxable Bonds

Each holder of a Federally Taxable 2013 Series Bond with a maturity not longer than one year (a "Short-Term Taxable Bond") is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Taxable Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and "acquisition discount" with respect to, the Short-Term Taxable Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Taxable Bond at maturity over the holder’s tax basis therefor.

A holder of a Short-Term Taxable Bond not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder’s regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

Bond Premium

In general, if a U.S. Holder acquires a Federally Taxable 2013 Series Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Federally Taxable 2013 Series Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Federally Taxable 2013 Series Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder’s basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service’s consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder’s regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders - Disposition of Federally Taxable 2013 Series Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Federally Taxable 2013 Series Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Federally Taxable 2013 Series Bond. A U.S. Holder's adjusted tax basis in a Federally Taxable 2013 Series Bond generally will equal such U.S. Holder's initial investment in the Federally Taxable 2013 Series Bond, decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Federally Taxable 2013 Series Bond. Such gain or loss generally will be long-term capital gain or loss if the Federally Taxable 2013 Series Bond was held for more than one year.

U.S. Holders - Defeasance

U.S. Holders of the Federally Taxable 2013 Series Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Federally Taxable 2013 Series Bonds to be deemed to be no longer outstanding under the Resolution of the Federally Taxable 2013 Series Bonds (a "defeasance") (See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND NINTH SUPPLEMENTAL INDENTURE"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Federally Taxable 2013 Series Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Federally Taxable 2013 Series Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders - Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest and the proceeds of the sale of a Federally Taxable 2013 Series Bond before maturity within the United States. Backup withholding at a rate of 31% for the year 2011 and thereafter, will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

Circular 230 Disclosure

The advice under the caption "Federally Taxable 2013 Series Bonds," concerning certain income tax consequences of the acquisition, ownership and disposition of the Federally Taxable 2013 Series Bonds, was written to support the marketing of the Federally Taxable 2013 Series Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Federally Taxable 2013 Series Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the University is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, may adversely affect the tax-exempt status of interest on the Federally Taxable 2013 Series Bonds under state law and could affect the market price or marketability of the Federally Taxable 2013 Series Bonds.

Prospective purchasers of the Federally Taxable 2013 Series Bonds should consult their own tax advisors regarding the foregoing matters.

For the proposed form of the opinion of Bond Counsel to the University relating to the 2013 Series Bonds, see "APPENDIX D – PROPOSED FORM OF OPINION OF BOND COUNSEL TO THE UNIVERSITY" hereto.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("S&P") have assigned the ratings of "AA-," "Aa3" and "AA-," respectively, to the 2013 Series Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organization, and the University makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the 2013 Series Bonds.

STATE NOT LIABLE ON THE 2013 SERIES BONDS

Nothing in the 2013 Series Bonds or in the Indenture shall be construed as pledging the faith and credit of the State of New Jersey or any political subdivision thereof for their payment, or to create any debt against said State or any political subdivision thereof. The University has no taxing power.

LEGALITY OF THE 2013 SERIES BONDS FOR INVESTMENT

The 2013 Series Bonds are legal investments, in the opinion of Bond Counsel to the University, under present provisions of New Jersey law: (i) for banks and life insurance companies in the State of New Jersey; (ii) for savings banks and savings and loan associations in the State of New Jersey, subject to certain statutory limitations on the amount of such investments; (iii) for fiduciaries, subject to the provisions of the New Jersey Prudent Investment Law; and (iv) for certain institutions, subject to the provisions of the New Jersey Uniform Management of Institutional Funds Act.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the 2013 Series Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the University, whose approving opinion in substantially the form included herein as APPENDIX D will be attached to the 2013 Series Bonds and delivered with such Bonds. Certain legal matters will be passed upon for the University by its Senior Vice President and General Counsel, John Farmer, Jr., Esq., New Brunswick, New Jersey. Certain legal matters will be passed upon for the Underwriters by their counsel, Edwards Wildman Palmer LLP, Madison, New Jersey.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Causey Demgen & Moore P.C. (the "Verification Agent"), at the time of issuance of the 2013 Series J Bonds and the 2013 Series K Bonds, will verify from the information provided to it the mathematical accuracy as of the date of the closing on the 2013 Series J Bonds and the 2013 Series K Bonds of the computations contained in such information to determine that the securities and cash deposits listed in the applicable schedules, to be deposited in the respective escrow trust funds established in connection with the Indebtedness to be Refunded, will be sufficient, together with proceeds of the Rowan 2013 Series Bonds and the UH Series 2013 Notes to be issued by UH, to pay, when due, the principal, interest and call premium payment requirements, if any, of the Indebtedness to be Refunded, which report will be relied upon by Bond Counsel to the University. The Verification Agent will express no opinion on the assumptions provided to it, nor as to the exemption from taxation of the interest on the 2013 Series J Bonds, the 2013 Series L Bonds, the Rowan 2013 Series A Bonds or the UH Series 2013A Notes.

UNDERWRITING

The 2013 Series Bonds are being purchased from the University by Morgan Stanley & Co. LLC, as representative of the underwriters listed on the cover page hereof (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase: (i) all of the 2013 Series J Bonds at an aggregate purchase price equal to $374,639,822.50 (representing the principal amount of $340,925,000, plus a net original issue premium of $35,322,929.30, less an underwriters' discount of $1,608,106.80); (ii) all of the 2013 Series K Bonds at an aggregate purchase price equal to $133,482,069.81 (representing the principal amount of $134,100,000, less an underwriters' discount of $617,930.19); and (iii) all of the 2013 Series L Bonds at an aggregate purchase price equal to $377,298,726.92 (representing the principal amount of $352,065,000, plus a net original issue premium of $26,898,349.30, less an underwriters' discount of $1,664,622.38). The initial public offering prices of the 2013 Series Bonds set forth on the inside cover pages may be changed without notice by the Underwriters. The Underwriters may offer and sell the 2013 Series Bonds to certain dealers (including dealers depositing 2013 Series Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices higher or yields lower than the offering prices or yields set forth on the inside cover pages hereof.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the 2013 Series Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2013 Series 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.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the 2013 Series Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2013 Series Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2013 Series Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the 2013 Series Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

WFBNA and UMDNJ entered into a Forward Delivery Agreement, dated June 7, 2002 (the "2002 Agreement"), in connection with the 2002 UMDNJ Bonds for the investment of proceeds deposited into the bond reserve fund and capitalized interest subaccount for such bonds. WFBNA and UMDNJ entered into a Debt Service Reserve Forward Delivery Agreement, dated January 29, 2003 (the "2003 Agreement"), in connection with the 2003 UMDNJ Certificates for the investment of proceeds deposited into the debt service reserve account for such certificates. On July 1, 2013, the 2002 UMDNJ Bonds and the 2003 UMDNJ Certificates are being refunded by the University pursuant to the Restructuring Act. See "PLAN OF FINANCE" herein. As a result of the refunding of the 2002 UMDNJ Bonds and the 2003 UMDNJ Certificates, the 2002 Agreement and the 2003 Agreement will be terminated.

FINANCIAL ADVISOR

Prager & Co., LLC ("Prager") has been retained to act as financial advisor for the University in connection with the issuance of the 2013 Series Bonds. Although Prager has assisted in the preparation of this Official Statement, Prager is not obligated to undertake, and has not undertaken to make, any independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS

The statements of net assets of Rutgers, The State University of New Jersey as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, included in APPENDIX B-1 – "INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY" to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in APPENDIX B-1 – "Independent Auditors' Report and Financial Statements of Rutgers, The State University" to this Official Statement.

INDEPENDENT ACCOUNTANTS

The financial statements of The University of Medicine and Dentistry of New Jersey (A Component Unit of the State of New Jersey) as of and for the years ended June 30, 2012 and 2011, included in APPENDIX B-2 to this Official Statement (APPENDIX B-2 – "AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY) AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011") have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report (which contains paragraphs regarding the presentation of a discretely presented component unit on a basis of accounting other than generally accepted accounting principles as described in Note 3 to the basic financial statements, the disclosures described in Note 2 regarding the Restructuring Act and the reference to other auditors for discretely presented component units) and appearing in APPENDIX B-2 to this Official Statement.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the 2013 Series Bonds, or questioning or affecting the validity of the 2013 Series Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the University, nor the title of the present officers of the University to their respective offices, is being contested except as otherwise described in this Official Statement.

The University, in its normal operations, is a defendant in various legal actions. The University's administration is of the opinion that the outcome of these matters will not have a material adverse effect on the financial position or operations of the University.

CONTINUING DISCLOSURE UNDERTAKING

The Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the 2013 Series Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories.

The University has covenanted with the Trustee for the benefit of Bondholders to provide certain financial information and operating data relating to the University by not later than 180 days following the end of the University's Fiscal Year beginning with the Fiscal Year ending June 30, 2013 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated material events. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND NINTH SUPPLEMENTAL INDENTURE — Continuing Disclosure Undertaking."

The Annual Report will be filed, or caused to be filed, by the University with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Markets Access system at www.emma.msrb.org. The notices of listed events will be filed, or caused to be filed, by the University with the MSRB.

The University has not failed to provide annual financial information or notices of listed events pursuant to the requirements of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act.

CLOSING CERTIFICATE

Concurrently with delivery of the 2013 Series Bonds, the University will furnish a certificate executed by its President or Senior Vice President for Finance and Administration to the effect that this Official Statement, as of the date of this Official Statement and as of the date of delivery of the 2013 Series Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The references herein to the Act and the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Act and the Indenture, respectively, for a full and complete statement of such provisions. Copies of the documents mentioned in this paragraph are on file at the Office of the University's Senior Vice President for Finance and Administration.

The execution and delivery of this Official Statement by its Senior Vice President for Finance and Administration have been duly authorized by the University.

RUTGERS, THE STATE UNIVERSITY

By: /s/ Bruce C. Fehn
Senior Vice President for
Finance and Administration

Dated: June 14, 2013

APPENDIX A-1

INFORMATION CONCERNING RUTGERS, THE STATE UNIVERSITY

RUTGERS, THE STATE UNIVERSITY

General Background

Rutgers, The State University ("Rutgers" or the "University"), one of the nation's nine colonial colleges, consists of 28 schools and colleges located at campuses in New Brunswick and adjacent areas, Newark and Camden, and maintains educational services in many other communities throughout the State of New Jersey (the "State"). The University is the State University of New Jersey and the Land Grant College of the State of New Jersey. The University was created as a body corporate and politic with the title "The Trustees of Queens College in New Jersey" by royal charter granted by King George III on November 10, 1766. The charter was amended and confirmed by the Council and General Assembly of New Jersey in 1781 and again in 1799. Its title was changed to "The Trustees of Rutgers College in New Jersey" in 1825. In 1864, the Scientific School of Rutgers College was designated the "Land Grant College of the State of New Jersey" with curricula in agriculture, engineering and chemistry. In 1945, the various departments of higher education maintained were collectively designated the State University of New Jersey to be utilized as an instrumentality of the State for providing public higher education and thereby increasing the efficiency of its public school system. The University's title was changed to "Rutgers, The State University" and its charter was amended and supplemented by an act of the Legislature of the State in 1956 (the "Rutgers Law").

The New Jersey Medical and Health Sciences Education Restructuring Act, passed by the New Jersey Senate and Assembly on June 28, 2012, and signed into law by Governor Chris Christie on August 22, 2012 (the "Restructuring Act"), integrates all units of the University of Medicine and Dentistry of New Jersey ("UMDNJ"), except University Hospital in Newark and the School of Osteopathic Medicine in Stratford, into Rutgers effective July 1, 2013 (the "Transfer Date"). As required by the Rutgers Law, the legislation required approval of both the Board of Governors of the University (the "Board of Governors") and the Board of Trustees of the University (the "Board of Trustees"). Both boards approved the integration of Rutgers and UMDNJ at their November 19, 2012 meeting, subject to the satisfaction of certain conditions to be met on or before July 1, 2013, including, but not limited to, the defeasance and/or assumption of all UMDNJ indebtedness allocable to Rowan University ("Rowan") and University Hospital on or before the Transfer Date. Twelve functional teams with members from both universities are continuing their work to ensure a smooth operational integration on July 1, 2013. For more information regarding the Restructuring Act and the UMDNJ units being transferred to the University, see "APPENDIX A-2 – INFORMATION CONCERNING THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY)," and "APPENDIX A-3 – UNAUDITED COMBINING SCHEDULE OF NET ASSETS, AS ADJUSTED, AND UNAUDITED COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, AS ADJUSTED, OF THE UNIVERSITY AND UMDNJ, AND OTHER DISCLOSURES RELATED TO THE TRANSFERRED UNITS," to the Official Statement.

All of the University's property and educational facilities are impressed with a public trust for higher education of the people of the State. The Board of Governors presents an annual request for State support of the University to the State Department of the Treasury and to the State Secretary of Higher Education (the "State Secretary") in accordance with legislation adopted in 1994 and a reorganization plan developed by Governor Chris Christie in 2011 and enacted into law pursuant to the terms of the Restructuring Act. See "Budgeting Procedures of the University" herein.

The Board of Governors has general supervision over the conduct of the University and is responsible for determining the programs and degree levels to be offered by the University, but final administrative decisions over new academic programs that go beyond the University's programmatic mission rest with the State Secretary.

The Board of Trustees is designated under the Rutgers Law to serve in an overall advisory capacity to the Board of Governors. The Board of Trustees must approve the use of properties acquired by the University prior to passage of the Rutgers Law and also invests certain funds under its control. See page (i) of the Official Statement for a current listing of members of the Board of Governors and Board of Trustees, as well as certain University administrative officers.

Unless otherwise indicated, references to years are to the University's fiscal year ended June 30.

Campuses and Academic Programs

The University has seven main campuses: the Busch Campus in Piscataway (779 acres), the College Avenue Campus in New Brunswick (69 acres), the Cook Campus in New Brunswick and North Brunswick (707 acres), the Douglass Campus in New Brunswick (180 acres), the Livingston Campus in Piscataway and Edison (972 acres), the Camden Campus (27 acres) and the Newark Campus (38 acres). In total, the University operates research and instructional facilities on 5,927 acres in 12 counties and 27 municipalities.

University degrees are awarded by 28 schools and colleges. In New Brunswick, 13 colleges and schools offer degrees: the School of Arts and Sciences, the School of Environmental and Biological Sciences, the School of Engineering, the Ernest Mario School of Pharmacy, Mason Gross School of the Arts, Rutgers Business School: Undergraduate-New Brunswick, the Edward J. Bloustein School of Planning and Public Policy, the Graduate School-New Brunswick, the Graduate School of Applied and Professional Psychology, the Graduate School of Education, the School of Communication and Information, the School of Social Work, and the School of Management and Labor Relations. In Newark, eight colleges and schools offer degrees: Newark College of Arts and Sciences, University College–Newark, the Graduate School–Newark, the College of Nursing, Rutgers Business School: Undergraduate–Newark, the School of Public Affairs and Administration, the School of Law-Newark and the School of Criminal Justice. In Newark and New Brunswick, one school offers degrees: Rutgers Business School: Graduate Programs–Newark/New Brunswick. In Camden, six colleges and schools offer degrees: Camden College of Arts and Sciences, University College–Camden, the School of Law–Camden, the School of Nursing-Camden, the Graduate School–Camden and the School of Business–Camden.

In order to coordinate University academic programs and other activities to make programs and facilities available to all, the University has developed an inter-campus bus system consisting of 42 buses on 11 routes, which is designed to meet the transportation needs of students, faculty and staff on the five New Brunswick campuses. Inter-campus buses carry more than 225,000 passengers per week when classes are in session on a schedule that operates over a period of approximately 20 hours a day during the academic year. During the current calendar year, University buses will transport approximately 6.5 million passengers.

Faculty and Staff

Many of the University's faculty members have received the highest recognition from their peers by being named fellows of prominent scholarly organizations or have received other prestigious awards for their distinguished accomplishments. These include 55 members of the National Academies of Sciences and Engineering, the American Academy of Arts and Sciences and the Institute of Medicine; and 57 members of the American Association for the Advancement of Science.

The following are some of the notable awards earned recently by members of the University faculty: the 2012 Abel Prize from the Norwegian Academy of Science and Letters to Endre Szemeredi, professor of computer science; the 2013 Wolf Prize in Agriculture from the Wolf Foundation of Israel to

Joachim Messing, the Selman A. Waksman Chair in Molecular Genetics; the 2013 Japan Prize to J. Frederick Grassle, founding director of Rutgers Institute of Marine and Coastal Sciences; the 2013 Charles Stark Draper Prize from the National Academy of Engineering to Richard Frenkiel, senior consultant at WINLAB; a Marine Microbiology Initiative Investigator Award from the Gordon and Betty Moore Foundation to Kay Bidle, associate professor of marine and coastal sciences; the Berger Memorial Prize of the American Philosophical Association to Kimberly Kessler Ferzan, professor of law; and the Robert Wood Johnson Foundation Young Leader Award to Naa Oyo Kwate, associate professor of human ecology and African studies.

As of March 31, 2013, the University had approximately 14,504 faculty and staff employed full-time or part-time on a regular basis, of whom 11,740 are represented, for purposes of collective negotiations, by the following labor organizations:

- 3,027 faculty and 1,820 teaching assistants and graduate assistants are represented by the Rutgers Council of American Association of University Professors ("AAUP") Chapters-American Federation of Teachers, AFL-CIO;

- 2,326 administrative employees are represented by the Union of Rutgers Administrators, American Federation of Teachers ("URA-AFT");

- 1,749 service and maintenance employees are represented by the American Federation of State, County and Municipal Employees ("AFSCME") Local 888;

- 856 clerical, office, laboratory and technical employees are represented by the AFSCME Local 1761;

- 24 Educational Opportunity Fund ("EOF") counselors are represented by the EOF Chapter of the Rutgers Council of AAUP-AFT Chapters;

- 33 operating engineers are represented by the International Union of Operating Engineers ("IUOE") Local 68-68A;

- 12 student health service physicians are represented by the Doctors Council/Services Employees International Union ("SEIU");

- 54 police officers are represented by the Fraternal Order of Police-Primary Unit ("FOP-Primary");

- 29 police sergeants, detectives and lieutenants are represented by FOP-Superior Officers Association ("FOP-Supervisory");

- 16 fire inspectors are represented by the International Association of Fire Fighters ("IAFF") Local 3451;

- 1,380 Part-Time Lecturers ("PTL"), who are instructional personnel employed on a per course basis, are represented by the Part-Time Lecturer Faculty Chapter of the Rutgers Council of AAUP-AFT Chapters; and

- 414 post-doctoral associates and fellows ("Post-Doctoral") who are represented by the Rutgers Council of AAUP-AFT Chapters. There are also 318 PTLs who are not yet eligible for the PTL bargaining unit.
- In addition, instructors who teach in the Winter and Summer Session terms, most of whom are employed by the University during the academic year, are represented by the AAUP-AFT.

The remaining 2,446 employees who are not represented by unions consist of managerial, professional, supervisory and confidential employees.

Collectively negotiated agreements are in place for the unionized groups "AAUP", "URA-AFT", "AFSCME", "IUOE", "EOF", and "SEIU" covering the period July 1, 2011 through August 31, 2014. Collectively negotiated agreements are in place for the PTL, Post-Doctoral, and Winter and Summer Session units covering the periods of July 1, 2011 through June 30, 2015, March 1, 2012 through June 30, 2015, and March 11, 2011 through October 31, 2016 (the University is currently engaged in salary negotiations with this unit via a salary re-opener clause in the negotiated Agreement), respectively. Except as described in the prior sentence, negotiations for successor contracts have not yet commenced. In 2009, the University negotiated agreements with seven of its employee bargaining units that delayed the implementation of certain salary increases in both FY 2010 and FY 2011. Significant reductions in State appropriations for FY 2011 led the University administration to introduce further cost-saving actions, including withholding salary increases for unrepresented and represented employees. The unions filed various legal challenges to the non-payment of salary increases. The University believes it was entitled to withhold salary increases pursuant to the terms of the salary deferral agreements. In FY 2012 and 2013, the University settled the legal challenges and negotiated new Memoranda of Agreements with those affected unions with the exception of the FOP-Primary/Supervisory units, which are currently in interest arbitration, and whose challenges to the University's withholding of salary increases remain in dispute. Negotiations are continuing with the "IAFF" unit for an initial collectively negotiated Agreement.

Accreditation

Following a self-study evaluation visit, the Middle States Commission on Higher Education reaffirmed the University's accreditation without conditions in June 2008. Certain programs at the University are also accredited by specialized accrediting organizations.

The Middle States Commission review team noted particular accomplishments made in the area of undergraduate education and confirmed its support for the University's efforts to create a unified School of Arts and Sciences in New Brunswick and enhance undergraduate programs in Newark and Camden.

AAU Membership

In 1989, the University was elected to membership in the prestigious Association of American Universities (the "AAU"), an association of the 62 leading public and private research universities in the United States and Canada. The AAU focuses on national and institutional issues that are important to research-intensive universities, such as funding for research, research and education policy, and graduate and undergraduate education. Rutgers and Princeton University are the only AAU member institutions in the State.

Currently, Rutgers ranks well among public AAU institutions in the number of memberships in the National Academies of Engineering and Sciences, the Institute of Health and the American Academy of Arts and Sciences.

Research and Development

The University's faculty earned a significant increase in external funding for their research last year. Total awards for sponsored research and programs rose to $397.2 million in 2012, as compared to $376.4 million in 2011. Federal funding remains the most significant source of research funding for the University with Federal support for R&D at 75.3% of all external sponsorship totaling $237.8 million in 2012. The National Institutes of Health (NIH) and the National Science Foundation (NSF) provide the greatest number of grants and the largest amounts of Federal dollars to the University. In 2012, the University received $99.8 million in NIH funding and $57.7 million in NSF funding.

Funding for research from the State totaled $36.6 million in 2012. Corporate support for research and development was $15.9 million in 2012 and other sources of research support, such as foundations and associations, totaled $45.6 million.

Twenty faculty and staff of the University were awarded large awards from government agencies and corporations that exceeded $2.5 million during 2012 in diverse fields ranging from government services and education to nutritional sciences and transit.

The University continues to achieve a steady increase in its research and development expenditures. Over the past decade research and development expenditures have increased by 83%, an annual growth rate of 8%. In 2011, the most recent year provided by the NSF, the University spent approximately $473.2 million on R&D, in contrast to $459.8 million the prior year. R&D spending was a modest $258.8 million in 2002.

Patents

In 2012, Rutgers received a record 186 invention disclosures from University faculty and was issued 39 utility patents – a portion of the 1,100 U.S. and foreign patents and patent applications that Rutgers currently manages. More than 80 start-up companies have been created based on Rutgers technologies; two thirds of these are New Jersey-based. According to the Association of University Technology Managers, in 2011 (the last year that figures are available), Rutgers ranked in the top five nationally when compared to its peers (public universities without medical schools) in number of disclosures, licenses executed, patent applications, licensing revenue, patents issued and number of start-up companies.

Major Grants

In 2012, Rutgers was awarded many significant and highly competitive grants and contracts. Among the recipients and projects are the following:

- **Rutgers University Cell and DNA Repository:** The largest university-based repository in the world, RUCDR receives more than $30 million annually in research funding from government, corporate and private sources. The DNA and cell lines that are processed, analyzed and stored at the University are crucial assets for biomedical research to cure diseases like schizophrenia, diabetes and Alzheimer's. Jay A. Tischfield, founder and Chief Executive Officer of RUCDR, Duncan and Nancy Macmillan Professor of

Genetics, and director of the Human Genetics Institute of New Jersey, was principal investigator (PI) on grants totaling $24.4 million in 2012.

- **Army-funded Ceramics research:** The University's longstanding expertise in ceramic engineering is being tapped by the military to develop armor that better shields soldiers from modern threats, particularly IEDs. A Rutgers team is part of a Johns Hopkins University-led research consortium that the U.S. Army agreed to fund with up to $90 million for as many as 10 years. Richard Haber, professor of materials science and engineering, oversees the Rutgers component, which will receive up to $9 million.

- **Transportation research:** With nearly $11.9 million in grants in 2012, Ali Maher is one of the most highly funded researchers at Rutgers. He heads Rutgers' Center for Advanced Infrastructure and Transportation.

- **Teaching energy:** Drew Gitomer, professor of the Rose and Nicholas DeMarzo Chair in Education in the Graduate School of Education, is the Primary Investigator on an NSF grant award totaling $1.6 million. The project is titled *Assessing, Validating, and Developing Content Knowledge for Teaching Energy.*

- **NSF Big Data research:** The NSF in October 2012 awarded two Rutgers researchers, Martin Farach-Colton and Manish Parashar, nearly $1.4 million. It is part of an initiative to extract useful information from so-called "big data" – massive collections of data from sources such as scientific instruments, digital images, social media streams and business transactions. Parashar directs the Rutgers Discovery Informatics Institute, which acquired an IBM Blue Gene® P supercomputer early in 2012.

- **Science Center Funding:** Philadelphia's University City Science Center awarded its first two digital health grants in December 2012, both of which will support development of technologies from Rutgers. The awards, totaling $200,000, were made to advance the development of a technology for enhanced identification of prostate cancer through computerized analysis of MRI scans and a system that uses a smartphone application to support physical therapy for stroke patients.

Table 1 summarizes the University's research grants and contracts awarded for 2008 through 2012.

TABLE 1
Research Grants and Contracts Awarded
(in millions of dollars)

	2008	2009	2010	2011	2012
Federal	$211.2	$268.4	$329.5	$281.1	$299.1
State of New Jersey	53.9	42.8	43.7	37.5	36.6
Corporate	16.1	17.0	18.8	17.7	15.9
Foundations/Other	46.0	63.6	41.9	40.1	45.6
	$327.2	$391.8	$433.9	$376.4	$397.2

University Enrollment

The University conducts an aggressive program to recruit and enroll a highly competitive and diverse student body. This program is based on a strategic marketing plan and is undertaken by professional admissions officers, currently enrolled students, paid regional recruiters and alumni volunteers in a multi-state network. The University has identified markets where there are significant numbers of high-achieving high school students wanting to pursue higher education outside of their home state, where the average family income is relatively high, and where Rutgers has a history of applicants and enrolled students. Outside of New Jersey, Rutgers' primary recruitment markets include California, Connecticut, Florida, Massachusetts, Maryland, New York, Pennsylvania and Washington, DC. Secondary markets are in Delaware, Georgia, Illinois, Texas and Northern Virginia. Additional markets currently under development and expansion include Arizona, Idaho, Michigan, Minnesota, New Hampshire, North Carolina, Ohio, Puerto Rico, Rhode Island, South Carolina, Tennessee and Washington. Admissions staff also recruit abroad in Asia, China, Europe, India, the Middle East and South America. The University maintains a state, national, and global reach by attracting competitive applicants from all 50 states and over 140 foreign countries. Integral to the success of the admissions process is the achievement of the annual enrollment goals at the undergraduate collegiate units. These goals consist of distinct targets purposefully determined and affirmed by the University's administration. Goals are based on enrollment projections, application and enrollment trends, budgetary resources and special initiatives affecting short- and long-term enrollments.

For Fall 2012, the University enrolled 11,559 new undergraduate students (consisting of 7,707 first year students–an all-time high–and 3,852 transfer students). Overall new student enrollment increased by 5%.

TABLE 2
Fall First Year Enrollments
Undergraduate Schools

	2008-09	2009-10	2010-11	2011-12	2012-13*
Applicants	32,816	31,728	32,833	31,751	31,842
% Admitted (selectivity)	59.9	63.7	63.1	66.3	67.4
Admitted Students	19,659	20,196	20,713	21,050	21,459
% Enrolled (yield)	36.1	35.0	35.4	35.5	35.9
Enrolled Students	7,102	7,059	7,324	7,476	7,707

* Starting in Fall 2012, all enrollment statistics and SAT scores include University College due to changes in the University's interpretation of reporting requirements. Any data prior to 2012-2013 excludes University College to remain consistent with Institutional Research.

TABLE 3
Fall First Year and Transfer Students
Undergraduate Schools

	2008-09	2009-10	2010-11	2011-12	2012-13*
Applicants	43,296	42,650	44,450	43,119	43,340
Admitted Students	24,802	25,547	26,261	27,035	27,697
Enrolled Students	10,004	10,163	10,586	10,974	11,559

* Starting in Fall 2012, all enrollment statistics and SAT scores include University College due to changes in the University's interpretation of reporting requirements. Any data prior to 2012-2013 excludes University College to remain consistent with Institutional Research.

The University continues to admit high quality students, as seen in the SAT scores of first year students set forth in Table 4 below. The combined SAT mean score for the regularly admitted first-year students of the University declined slightly as a result of changing reporting requirements that went into effect in Fall 2012 that significantly impacted the academic profiles of Newark and Camden with the inclusion of University College students. The current Fall 2012 SAT mean of 1831 for entering first-year students for the New Brunswick campus is over 300 points higher than the State of New Jersey SAT mean (1511) and the national SAT mean (1498).

For Fall 2012, the University enrolled 58,788 students (see Table 4), representing the highest enrollment in history, exceeding the previous high of 58,182 students (achieved in Fall 2011) by 606 students.

The undergraduate student faculty ratio of full-time equivalent students to full-time equivalent instructional faculty for Fall 2012 was 14 to 1.

The University administration is committing increased research and attention to promoting the University’s statewide, national and international visibility and public perception through various marketing efforts. Plans are in development to launch a campaign with marketing and branding messages targeting prospective students. This is the next phase of the University’s recent branding campaign.

The University enhanced traditional marketing efforts with its web presence by redesigning the University main web site and Undergraduate Admissions site a few years ago, such that the main site links for prospective students and admissions are significantly more prominent resulting in many more browsers. The University intends to grow its social media reach (e.g., Facebook, Twitter, blog, Go-Rutgers, Create Your Own Info Packet and Pinterest) with a new video tour and more robust content on all channels next year. Undergraduate Admissions is also in the process of developing six New Brunswick school brochures and an Honors brochure. To attract more international students, the University maintains a web presence on several internationally-supported portals including the U.S. State Department’s website, EducationUSA, and Rutgers will be included in print materials distributed to 400 education centers around the world. Undergraduate Admissions also participates in virtual events for international students, including large-scale online exhibitions (e.g., College Week Live) and intimate self-designed webinar sessions through EducationUSA. Key administrative and academic leaders are expanding upon relationships with embassies in Washington, DC, and the University is executing exchange agreements with several countries.

TABLE 4
University Enrollment

	New Brunswick			Newark			Camden			University-wide
Year	SAT*	UG	Grad & Prof	SAT*	UG	Grad & Prof	SAT*	UG	Grad	Total
2008-09	**1218**	28,031	8,010	**1090**	7,001	4,031	**1115**	3,870	1,528	52,471
2009-10	**1216**	29,095	8,269	**1101**	7,307	4,193	**1110**	4,121	1,660	54,645
2010-11	**1212**	30,351	8,561	**1095**	7,479	4,319	**1096**	4,497	1,661	56,868
2011-12	**1217**	31,268	8,682	**1096**	7,465	4,339	**1113**	4,653	1,775	58,182
2012-13**	**1223**	31,593	8,841	**1078**	7,666	4,345	**1053**	4,708	1,635	58,788

* Combined mean score for regularly Admitted First Year Students.

** Starting in Fall 2012, all SAT scores reported include University College due to changing reporting requirements. Any data prior to 2012-13 excludes University College to remain consistent with Institutional Research.

UG – Undergraduate

Please note that with the SAT-Writing included for 2012, SAT means were 1831, 1614, and 1570 for New Brunswick, Newark, and Camden, respectively.

Budgeting Procedures of the University

The University submits its budget request for each Fiscal Year directly to the Treasurer of the State for further review and eventual incorporation in the Governor's budget for the State's fiscal year. A portion of the amount included in such budget for educational and general operating expenditures is then appropriated out of the State's General Fund and paid to the University monthly. Auxiliary enterprise facilities are operated substantially on a self-supporting basis. Moneys appropriated for capital construction of academic facilities are made available by the State to the University and expended as required.

When the State's appropriation for operating expenses is approved by the Legislature of the State and enacted into law, an operating budget for the University is developed by the Vice President for University Budgeting, working with University Vice Presidents and Chancellors. Thereafter, the responsibility for budgetary control rests with the Office of the Senior Vice President for Finance and Administration. Monthly budget reports and summaries are furnished to all appropriate operating personnel to keep them informed of expenditures and commitments to date and uncommitted balances by class of expenditures. Budget summaries are reviewed and analyzed by the Senior Vice President for Finance and Administration and appropriate steps are taken to ensure that budgets are adhered to or adjusted to meet changed needs.

Budgeted Revenues of the University

Table 5 summarizes the University's Fiscal Year ending June 30, 2012 actual and Fiscal Year ending June 30, 2013 budgeted current funds (including unrestricted and restricted funds) and revenues by source, the total of which supports total actual or budgeted expenditures of similar amounts.

TABLE 5
Actual and Budgeted Revenues
(in thousands of dollars)

	2012 Actual	2013 Budget
Operating Revenues		
Student Tuition and Fees (net of scholarship allowances of $169,313 and $176,533, respectively)	$ 645,328	$ 668,033
Federal Grants and Contracts	247,532	252,566
State and Municipal Grants and Contracts	50,695	50,695
Nongovernmental Grants and Contracts	67,801	67,800
Auxiliary Enterprises (net of scholarship allowances of $37,536 and $39,536, respectively)	260,104	273,989
Other Operating Revenues	61,760	63,990
Total Operating Revenues	$1,333,220	$1,377,073
Non-Operating Revenues		
State Appropriations	262,360	262,760
Fringe Benefits Paid Directly by the State of New Jersey	166,967	166,924
Federal Appropriations	8,504	7,500
Federal Student Aid	73,249	73,250
State Student Aid	86,761	86,760
Contributions	26,927	27,000
Investment Income (including Net Increase (Decrease) in Fair Value of Investments)	4,359	14,775
Other Non-operating Revenues	5,414	2,500
Net Non-operating Revenues	634,541	641,469
Total Operating and Non-Operating Revenues	$1,967,761	$2,018,542

The total headcount enrollment of 58,788 for the Fall 2012 semester is 606, or 1.0% greater than the headcount enrollment for the Fall 2011 semester. The combination of increased enrollments and increased tuition rates has resulted in a projected $12 million increase in revenue in support of the Academic Year 2012-2013 General University Budget. However, no assurance can be made that enrollments will continue at the current levels.

Tuition, Charges and Fees

The University operates its day programs on a two-semester basis. Tuition and fees vary with the college and school year. Table 6 sets forth the undergraduate tuition and fees per academic year or other basis for full-time and part-time students enrolled in Rutgers College and graduate tuition for full-time and part-time students enrolled in the Graduate School of New Brunswick.

TABLE 6
Tuition, Charges and Fees

	2008-09	2009-10	2010-11	2011-12	2012-13
Tuition:					
Undergraduate students:					
Residents of New Jersey:					
Full-time students	$9,268	$9,546	$9,926	$10,104	$10,356
Part-time students[2]	299	307	319	325	333
Non -residents of New Jersey:					
Full-time students	19,482	20,456	21,682	22,766	23,676
Part-time students[2]	632	654	703	738	768
Graduate students:					
Residents of New Jersey:					
Full -time students[1]					
Maximum (12 credits)	13,440	13,848	14,400	14,664	15,024
Minimum (9 credits)	10,080	10,386	10,800	10,998	11,268
Part-time students[2]	560	577	600	611	626
Non -residents of New Jersey:					
Full -time students[1]					
Maximum (12 credits)	20,256	21,264	22,536	23,664	24,600
Minimum (9 credits)	15,192	15,988	16,902	17,748	18,450
Part-time students[2]	844	886	939	986	1,025
Student at University College:					
Resident of New Jersey[2,4]	299	307	319	325	333
Non-residents of New Jersey[2,4]	632	654	703	738	768
Summer Session students:					
Undergraduate Students:					
Resident of New Jersey[2]	299	307	319	325	333
Non -residents of New Jersey[2]	632	654	703	738	768
Graduate Students:					
Resident of New Jersey[2]	560	577	600	611	626
Non-residents of New Jersey[2]	844	886	939	986	1,025
College Fee[8]					
Full-Time	1,989	2,057	2,345	2,356	2,412
Part-Time	403	417	533	543	557
Computer Fee					
Full-Time	283	283	288	294	304
Part-Time[3]	59 – 142	59 – 142	62-144	64-147	69-152
Board, Room and Apartment Charges:					
Board Charges[5]	4,000	4,150	4,380	4,540	4,700
Room Charges	6,232	6,526	6,836	7,042	7,042
Apartment rental per student family					
One-bedroom[6]	884	929	964	975	-
Two-bedroom[6]	1049-1120	1101-1176	1078-1235	1078-1235	1174-1254
Apartment rentals per student in groups of four					
Two-bedroom[7]	6,723	7,056	7,310	7,638	7,838

1 A full time graduate student is defined as a student taking at least 9 credits per semester (except for business and law). All graduate students (except for business and law) are charged on a per credit basis up to 12 credits per semester. Tuition charges are capped at 12 credits per semester. Graduate business and law students taking less than 12 credits are charged tuition on a per credit basis. At 12 credits and above, tuition is charged at a flat rate.
2 Charge per credit hour taken.
3 Part -time computer fee based on sliding scale of credit hours taken per semester.
4 University College students registered for 12 credits or more are charged the full-time undergraduate rate.
5 Board charges based on the 285 meal plan.
6 Per month over a 12-month period. Apartments are unfurnished and rent includes utilities. Effective July 1, 2012, the University began offering two-bedroom apartments.
7 Per academic year. Apartments are furnished and rent includes utilities.
8 Generally, the college fee includes the campus fee and the school fee. Effective July 1, 2010, the college fee includes the campus fee, the school fee and the capital improvement fee.

The University charges a college fee, which is the aggregate of a number of components and provides funds for student activities programs, intercollegiate athletics, health services and medical insurance, parking, transportation, a portion of the University's debt service, capital improvements and the operating costs of student centers and recreation centers.

Student Financial Aid

The University has traditionally utilized its current policy of admissions without regard to financial ability to meet the cost of Rutgers' education, together with a commitment to provide assistance to those admitted who demonstrate financial need. During 2012, 48,408 University students (83.2% of the total enrollment) received some form of University administered student aid.

For the past 47 years, Federal student assistance programs have been a major source of financial aid for the University's students. In 2012, University students received a total of $396.9 million in Federal, State and private loan programs. This aid included $336.4 million borrowed through the Federal Direct Student Loan Program ("Direct Loan Program"), which the University opted to join on behalf of its students. The Direct Loan Program provides direct financing and direct delivery of loan funds to eligible borrowers, which cover the costs of postsecondary education. Participating schools, acting on behalf of the Federal government, determine student and parent loan amounts, obtain signed promissory notes and disburse funds to borrowers. Servicing loans and collecting Direct Loan Program repayments is the responsibility of the Federal government and/or its designated contractors.

Table 7 provides information concerning financial assistance the University has provided to students for the five years ending June 30, 2012. It is expected that total aid offered to registered students will be approximately $739.5 million in 2013. All programs under the aegis of the Federal and State governments are subject to appropriations and funding by the respective legislatures and there can be no assurance that such funding will be available in the future.

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TABLE 7
Student Financial Aid
(in millions of dollars)

	2007-08	2008-09	2009-10	2010-11	2012-13
Scholarships/Grants:					
Institutional Funds[1]	$ 95.9	$107.4	$110.2	$121.3	$132.8
State Funds	60.8	70.7	86.0	74.1	80.5
External Funds	7.4	8.2	6.4	6.1	5.9
Federal Funds	35.4	42.8	63.5	66.5	65.4
Total Scholarships/Grants	199.5	229.1	266.1	268.0	284.6
Loans Made To Students:					
University Loan Funds	0.1	0.1	0.1	0.2	0.6
State Loan Funds	68.0	62.8	54.4	45.4	29.9
External Funds	22.1	25.3	23.1	21.1	30.0
Federal Loan Funds	178.5	226.3	269.7	303.4	336.4
Total Loans Made To Students	268.7	314.5	347.3	370.1	396.9
Student Employment:					
Federal Work-Study	5.4	5.4	6.4	6.2	4.4
University Student Payroll	24.8	32.8	32.6	30.3	28.6
Total Student Employment	30.2	38.2	39.0	36.5	33.0
Total	$498.4	$581.8	$652.4	$674.6	$714.5

[1] Includes tuition remission benefits provided to graduate and teaching assistants, employees and children of employees

Federal funds referred to herein and in Table 7 include Pell Grant, Supplemental Educational Opportunity Grants, Academic Competitiveness Grant, Federal Smart Grant, the Federal Work-Study Program and a variety of loans through the Williams D. Ford Federal Direct Loan Program. Included in State funds are the New Jersey Tuition Aid Grant, the Educational Opportunity Fund, and the three specific merit scholarships that, taken together, comprise the Garden State Scholarship Program. University loan funds referred to in such table include emergency loan accounts, as well as the Rutgers University Loan Program.

The Rutgers University Loan Program offers low interest (5%) loans to exceptionally needy students. It was funded by bringing together balances from various short-term emergency loan accounts that had been historically under-utilized, and has proven to be an invaluable supplement to the federal loan programs for needy students.

In 1989, the University instituted the Rutgers Assistance Grant Program (“RAG”). RAG was instituted in recognition of the fact that Federal and State grant funding had failed to keep pace with the cost of education, and that as a result, students were facing undue hardships in the areas of both access and continued ability to meet costs of tuition and charges. In 2012, $24.4 million of RAG grants were awarded to 9,024 recipients and in 2011, $20.4 million of RAG grants were awarded to 8,815 recipients. RAG grants are included in “Institutional Funds” in Table 7.

State Appropriations to the University

The University has received annually and anticipates receiving appropriations from the State, which are to be applied to the educational and general expenditures of the University, and at times receives appropriations for capital construction.

The State, in accordance with State statutes, also makes employer contributions on behalf of the University's two retirement plans. Pension expenses paid directly by the State for 2012 aggregated $49.8 million ($43.3 million in 2011) of which $7.2 million ($7.0 million in 2011) has been reimbursed to the State from amounts recovered from self-supporting operations and sponsored programs. Reimbursement is based upon a composite fringe benefit rate provided by the State for all State plans. The University has no direct pension obligation associated with the State plans, and no liability for such costs has been reflected in the financial statements of the University. See "APPENDIX B-1 – INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY" in the Official Statement.

During the five years ended June 30, 2012, the State appropriations received by the University for educational and general expenditures, together with fringe benefits for Rutgers employees paid directly by the State, aggregated over $2.2 billion and are summarized as follows:

TABLE 8
State Appropriations to the University
(in thousands of dollars)

Fiscal Year	State Appropriation	Fringe Benefits Paid Directly By the State	Total
2008	$ 328,895	$147,616	$ 476,511
2009	305,252	144,882	450,134
2010[1]	290,877	153,132	444,009
2011	273,188	164,968	438,156
2012	262,360	166,967	429,327
Total	$1,460,572	$777,565	$2,238,137

[1] In 2010, the University received $15.5 million of appropriations designated as American Recovery Reinvestment Act ("ARRA") Funds.

The five-year trend, as detailed above, shows a decrease of 20.2% over the five-year period of 2008 to 2012, or $66.5 million, in direct State appropriation (i.e., appropriations for operations, not including fringe benefits that are paid by the State for certain University employees). The 2013 direct appropriation for the University is $262.8 million. No funding was appropriated in Fiscal Year 2013 by the State to support negotiated salary increases; therefore, $262.8 million is the total direct appropriation that the University is expecting to receive from the State in Fiscal Year 2013. The Governor's proposed appropriation for Fiscal Year 2014 is $262.8 million. Such direct State appropriations for operations do not including fringe benefits that are paid by the State for certain University employees. The University has no assurance that State appropriations will be received in amounts equal to the approved budgeted amount for any given year. The variations in State funding over the period shown have to date been offset by tuition increases coupled with strong enrollment demand, targeted reductions to unit budgets as necessary, and an emphasis on increasing revenues from other sources.

Gifts, Bequests, Grants and Contracts

Table 9 summarizes gifts, bequests, grants and contracts (including transfers from The Rutgers University Foundation) to the University for the five years ended June 30, 2012.

TABLE 9
Gifts, Bequests, Grants and Contracts
(in thousands of dollars)

Fiscal Year	Total Gifts, Bequests, Grants and Contracts
2008	$459,292
2009	514,816
2010	529,362
2011	545,366
2012	575,853

Revenues from governmental grants and contracts, including recovery of indirect costs, aggregated $458.2 million in 2012. Revenues from government grants and contracts include funds received for sponsored research programs, other sponsored programs and student financial aid. Non-governmental grants and contracts totaled $67.8 million in 2012.

Sponsored research programs include: research in physical, mathematical and computer sciences; biomedical and life sciences; agricultural sciences; engineering; social and behavioral sciences; humanities; and the creative and performing arts. Other sponsored programs include support for training, public service and library initiatives. Student financial aid programs include the Pell Grant Program and the State of New Jersey Tuition Aid Grant Program. See “Research and Development” herein.

Private sources of funding, which totaled $117.6 million in 2012, provide another significant resource and a strong source of funding for the University. These gifts, bequests, and non-governmental grants and contracts support critically important projects, such as graduate fellowships and laboratory development.

Strategic Plan and Facilities Master Plan

Strategic Plan

Upon taking office in the fall of 2012, President Robert L. Barchi launched a University-wide strategic planning process that will establish the University’s vision for the next 10 years. Under its new leadership, together with the current transformation of the landscape of higher education in the State—through the integration of the Rutgers-UMDNJ Schools, the University’s entry into the BIG 10 Athletic conference and the Committee on Institutional Cooperation (CIC)—it was essential that Rutgers reassess its strategic vision.

The goal of this process is to develop a University-wide plan that is practical and actionable; to articulate an overarching vision that is ambitious but realistic; to set the strategy to achieve the University’s aspirations to improve its standing as a top-tier research institution; to identify key areas of excellence and differentiation upon which the University should focus; and to raise the visibility of Rutgers as one of America’s finest universities.

Areas of strategic focus for the Strategic Plan include:

- *Themes for academic distinction*: Ethnicity, diversity and migration in academics; creating a sustainable world; health and wellness in individuals and populations; educating citizens for a dynamic world; and creative expression and the human experience;

- *Building on faculty excellence*: recruitment and retention of the strongest faculty; research facilities and infrastructure; breadth and depth of graduate education; professional education as a core strength; and endowment support for academic efforts;

- *Transforming the student experience*: honors college; learning environments culture/social environments; student support services; faculty interactions; physical environments; transportation and access;

- *Collaborations and partnerships*: State of New Jersey, businesses, alumni, universities, tech transfer, and public/private partnerships; and

- *Enhancing the University's visibility*: regional and national brand.

The entire University community has been providing input for the Strategic Plan through surveys, town hall meetings, advisory groups, faculty forums, departmental discussions, and interviews. The outlines of the plan are beginning to take shape. The overarching aspiration for Rutgers is "to be broadly recognized as among the best public universities: preeminent in research, excellent in teaching, and committed to community."

After presenting an interim report in June 2013, President Barchi intends to submit the final report to the Board of Governors for approval in December 2013, providing them with a plan that expresses a clear vision for Rutgers' future and a strategy to move toward that vision, and that reflects the input of faculty, students, staff, alumni, retirees, and governing board members, as well as state and local stakeholders.

Facilities Master Plan

To guide the University's future development and growth, Rutgers is developing a Facilities Master Plan concurrently with the Strategic Plan, with the latter helping to inform the former. The Master Plan will include a list of capital projects that will primarily, but not exclusively, support the "key areas of excellence and differentiation" that are outlined in the Strategic Plan.

In addition to new building construction projects and major renovation projects, the Master Plan will also include major infrastructure, grounds, and utilities improvement projects; land acquisitions; core computing infrastructure initiatives; and capital renewal projects (maintaining the existing physical plant). In addition to priority academic projects, the Master Plan will also include projects for auxiliary and support functions, such as housing, dining, recreation, student services, athletics, and administration.

The Facilities Master Plan will provide documents and maps depicting how the campus will grow and what it will look like at the end of the next seven to ten years. It will illustrate locations where projects will be sited in the context of the surrounding campuses. The Facilities Master Plan is more than a location plan for the setting of new buildings; it is a vision of what the campus should look like based on a holistic analysis of the entire outdoor built and natural environment.

The master planning process will involve an analysis of how cars, buses, and pedestrians move through campus, and it will make recommendations for realigning old transportation routes and creating new roadways, walking paths, and bikeways in a way that is efficient and easy to navigate. The Master Plan will make recommendations for the relocation of existing parking lots and the construction of new parking lots and decks.

The Facilities Master Plan will also incorporate aesthetic considerations and highlight zones that need improvement due to their visibility to the public or to visitors. The plan will make recommendations for the creation of new gateways, for the installation of landscape plantings, and for signage at campus entrances to strengthen the campus' visual identity. The plan will indicate areas of environmental sensitivity—such as wetlands or forests, and buildings and districts of historic significance that need to be preserved and protected from development—while highlighting zones that are appropriate for new and higher density construction.

In addition to providing adequate space for future academic growth beyond the 10-year horizon, the plan will give attention to recreation, athletics, and parking facilities, which are land intensive functions. The Facilities Master Plan may also indicate areas off-campus that may be appropriate for expansion or for acquisition.

The University has retained two nationally recognized firms to develop the Facilities Master Plan. This planning process will build upon the priorities and vision outlined in the Strategic Plan and will engage the community in an open, consultative, and participatory manner. The Facilities Master Plan report will be completed and presented to the Board of Governors in June 2014 for approval.

Financial Statements of the University

The University maintains its financial records in a manner consistent with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB").

The 2011 and 2012 financial statements of the University focus on the financial position of the University, the changes in its financial position and its cash flows as a whole.

The statements of revenues, expenses and changes in net shows that the University's operations during the fiscal year ended June 30, 2012 resulted in an increase in net assets of $54.4 million**,** which amount has been allocated principally for deferred maintenance and capital improvements. See "APPENDIX B-1 – INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY" to the Official Statement.

Independent Auditors

The statements of net assets of Rutgers, The State University of New Jersey as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, included in "APPENDIX B-1 – INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY" to the Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in "APPENDIX B-1 – INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY" to the Official Statement.

Recent Developments

On August 22, 2012, the Governor of New Jersey signed the Restructuring Act, which integrates The University of Medicine and Dentistry of New Jersey ("UMDNJ"), except for the School of Osteopathic Medicine ("SOM") and University Hospital ("UH"), into Rutgers. The Restructuring Act indicates that UH will continue to exist as a body corporate and politic, maintaining its status as the principal teaching hospital of New Jersey Medical School, New Jersey Dental School and any other medical education programs located in Newark, while SOM is to be integrated into Rowan. All assets, liabilities and debts of UMDNJ will be transferred to the respective entities as part of the integration. Additionally, certain transfers are being made pursuant to Reorganization Plan No. 02-2009, which became effective on August 24, 2009 with the force and effect of law and result in the transfer of UMDNJ's Robert Wood Johnson Medical School - Camden activities to Rowan. In addition, the activities of UMDNJ's Broadway House for Continuing Care (BHCC) will be aligned with UH after July 1, 2013. Rutgers Biomedical and Health Sciences will be created at Rutgers and will include all Transferred Units of UMDNJ (as defined in the Official Statement) along with the Rutgers School of Pharmacy, School of Nursing and Graduate School. The Restructuring Act is to take effect on July 1, 2013 and apply to the 2013-2014 academic year, but anticipatory administrative action may be taken in advance of the operative date as shall be necessary for the implementation of the legislation. The Restructuring Act provides that the State Treasurer shall establish a Transition Committee to advise him regarding all matters pursuant to the Restructuring Act, including debt issues, the allocation of budgets, state appropriations and other matters on, after and/or before the Transfer Date. Upon advice from the Committee or its subcommittees, the State Treasurer is empowered to take all necessary administrative actions to implement the provisions of the Restructuring Act. For more information regarding the Restructuring Act and the UMDNJ units being transferred to the University, see "APPENDIX A-2 – INFORMATION CONCERNING THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY)," and "APPENDIX A-3 – UNAUDITED COMBINING SCHEDULE OF NET ASSETS, AS ADJUSTED, AND UNAUDITED COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, AS ADJUSTED, OF THE UNIVERSITY AND UMDNJ, AND OTHER DISCLOSURES RELATED TO THE TRANSFERRED UNITS," to the Official Statement.

All the parties are working in a collaborative manner to accomplish the integration and have established teams to identify and address matters associated with the integration. Updates on the integration efforts at Rutgers can be found at http://ru-umdnjtogether.rutgers.edu/.

In March 2013, Rutgers announced that it is exploring the merger of its two law schools by 2014. The separately accredited law schools in Newark and Camden would merge into one law school with a unified faculty, a single curriculum and uniform admissions criteria for enrolling new students. Faculties at both schools voted unanimously to support the merger.

Outstanding Indebtedness of the University

Table 10 summarizes the short-term and long-term outstanding indebtedness of the University as of May 1, 2013.

TABLE 10
Outstanding Indebtedness of the University
(in thousands of dollars)

	Final Maturity	Outstanding
General Obligation Refunding Bonds, 2002 Series A	2018	$ 53,100
General Obligation Bonds, 2002 Series B	2034	24,065
General Obligation Refunding Bonds, 2003 Series C	2019	26,360
General Obligation Bonds, 2003 Series D	2019	7,100
General Obligation Bonds, 2004 Series E	2034	74,570
General Obligation Bonds, 2009 Series F	2039	207,240
General Obligation Bonds, 2009 Series G	2039	73,915
General Obligation Bonds, 2010 Series H (Federally Taxable – Build America Bonds)	2040	390,990
General Obligation Bonds, 2010 Series I	2029	39,650
General Obligation Commercial Paper	2013	130,275
Long-term notes		1,353
Capitalized lease obligations		94,475
Total Indebtedness		$1,123,093

General Obligation Bonds

The University has outstanding two series of General Obligation Refunding Bonds and seven series of General Obligation Bonds issued under the 2002 Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, and the Eighth Supplemental Indenture. Such bonds constitute direct and general obligations of the University. The full faith and credit of the University has been pledged to the payment of the principal and redemption price of the Bonds and interest thereon.

Other Indebtedness

The Commercial Paper constitutes direct general obligations of the University for the payment of which, as to both principal and interest, the full faith and credit of the University are pledged. Principal of the Commercial Paper, to the extent not paid from the proceeds of general obligation bonds and proceeds of other Commercial Paper, and interest on the Commercial Paper is payable from other available moneys of the University.

Other Bonds Issued and to be Issued by the University

Capital projects currently being considered by the University may be financed through the issuance of future bonds or Commercial Paper, gifts and/or other University resources.

Other Obligations of the University

Rutgers Community Park: In 1999, the University and the City of Camden entered into a joint venture for the acquisition, development and construction of an outdoor recreational complex designated the “Rutgers Community Park,” which is used by the University as the site of its softball and soccer fields. Public use of the facility is managed by the University. In 2002, the University agreed to assume the obligation for debt service payable on an aggregate of $1.0 million in loans that the City of Camden received from the Green Acres Program of the State, together with an aggregate of $1.0 million in grants receivable from this program in connection with the Rutgers Community Park. The assumption of the debt service payable on the Green Acres Program is a general obligation of the University. As of May 1, 2013, the outstanding amount due on the loans was $0.4 million.

Guaranty of LEAP School Bond Financing: In 2003, the University entered into a Guaranty Agreement (the "Guaranty") guaranteeing the timely payment of principal and interest due and payable on the $8.5 million Delaware River Port Authority Charter School Project Bonds, Series of 2003 (LEAP Academy University Charter School, Inc.), issued by the Delaware River Port Authority (the "DRPA 2003 Bonds") for the purpose of financing the costs of the design, development, construction and equipping of the LEAP Academy University High Charter School (the "LEAP School") in Camden. The LEAP School is owned and managed by the LEAP Academy University Charter School, Inc., a New Jersey not-for-profit corporation, and serves over 200 students in grades 9-12. The LEAP School site is adjacent to the Camden Campus. The University's obligations under the Guaranty are a general obligation of the University. As of May 1, 2013, $6.8 million of DRPA 2003 Bonds were outstanding.

Standby Purchase Agreements

On February 6, 2002, the University issued $110.0 million aggregate principal amount of General Obligation Refunding Bonds, 2002 Series A (the "2002 Series A Bonds") pursuant to the Master Indenture and the First Supplemental Indenture. The University entered into a Standby Bond Purchase Agreement (the "Series 2002 Standby Bond Purchase Agreement") with Landesbank Hessen-Thüringen Girozentale, New York Branch (the "Bond Liquidity Provider") under which the Bond Liquidity Provider is obligated to purchase the University's 2002 Series A Bonds when and if tendered by the owners thereof, unless successfully remarketed, subject to suspension or termination upon the occurrence of certain events. The Series 2002 Standby Bond Purchase Agreement terminated on August 1, 2011 at which time, the University entered into a Standby Bond Purchase Agreement ("Substitute Series 2002 Bond Purchase Agreement") with TD Bank, N.A. (the "Substitute Liquidity Provider") under which the Substitute Liquidity Provider is obligated to purchase the University's 2002 Series A Bonds when and if tendered by the owners thereof, unless successfully remarketed, subject to suspension or termination upon the occurrence of certain events. The Substitute Series 2002 Bond Purchase Agreement will terminate on August 25, 2014, unless terminated prior to such date in accordance with its terms. JP Morgan Securities, Inc. is the exclusive remarketing agent in connection with the remarketing of the 2002 Series A Bonds. The University may refund all or a portion of the 2002 Series A Bonds with a portion of the proceeds of the 2013 Series J Bonds.

As of May 1, 2013, the University has $130.275 million aggregate principal amount of General Obligation Commercial Paper, Series A, B, C and D (the "Commercial Paper") outstanding. The University entered into a Standby Commercial Paper Purchase Agreement (the "Standby Commercial Paper Purchase Agreement") with Wachovia Bank, National Association (the "Commercial Paper Liquidity Provider") under which the Commercial Paper Liquidity Provider is obligated to purchase newly issued Commercial Paper issued to pay the principal of other Commercial Paper, subject to suspension or termination upon the occurrence of certain events. The Standby Commercial Paper Purchase Agreement will terminate on April 20, 2015 unless terminated prior to such date in accordance with its terms. Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are the exclusive commercial paper dealers in connection with the offering and issuance of the Commercial Paper.

On April 29, 2009, the University issued $80.0 million aggregate principal amount of General Obligation Bonds, 2009 Series G (the "2009 Series G Bonds") pursuant to the Master Indenture and the Seventh Supplemental Indenture. The University entered into a Standby Bond Purchase Agreement (the "Series G Standby Bond Purchase Agreement") with U.S. Bank National Association (the "Bank") under which the Bank will provide liquidity, subject to the satisfaction of certain conditions, for the purchase of 2009 Series G Bonds bearing interest at the Daily Rate or Weekly Rate that are delivered to the Trustee but not remarketed by the Remarketing Agent. The Series G Standby Bond Purchase Agreement will expire on May 4, 2015, prior to the final maturity of the 2009 Series G Bonds to which it relates, unless extended or terminated. The University has the right and may elect to terminate the Series G Standby Bond Purchase Agreement in its discretion. Nothing in the Seventh Supplemental Indenture requires the University to deliver to the Trustee a Substitute Liquidity Facility (as defined in the 2002 Master Indenture) upon expiration or termination of the Series G Standby Bond Purchase Agreement.

None of the 2002 Series A Bonds, 2009 Series G Bonds, nor Commercial Paper are Bank Bonds (defined to mean 2002 Series A Bonds, 2009 Series G Bonds, or Commercial Paper, as the case may be, purchased by a Substitute Liquidity Provider, the Bank or Commercial Paper Liquidity Provider, as applicable, or any of their assignees pursuant to the Series 2002 Standby Bond Purchase Agreement, the Series G Standby Bond Purchase Agreement or the Standby Commercial Paper Purchase Agreement, respectively).

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Interest Rate Swaps

The University has entered into various interest rate swaps related to its Bonds as detailed in Table 11.

TABLE 11
Interest Rate Swaps
(in thousands of dollars)

Counterparty	Bank of New York	Merrill Lynch	Bank of New York	JP Morgan & Co.
Current Notional Amount	$18,210	$100,000	$13,500	$53,100
Termination Date	5/1/2027	11/1/2038	11/1/2017	5/1/2018[1]
Rate Paid by Dealer	SIFMA	100% 3-month LIBOR	100% 1-month LIBOR	SIFMA
Rate Paid by Rutgers	3.824%	4.080%	5.127%	3.960%
Fair Value[2]	($3,042)	($25,819)	($2,701)	($5,722)

[1] Counterparty has the option to terminate the swap should SIFMA average more than 7% per annum for 180 days.
[2] As of May 1, 2013 – includes accrued interest of $0.00.

The Rutgers University Foundation

The Rutgers University Foundation (the "Foundation") was incorporated in 1973. The sole mission of the Foundation is to support Rutgers, the State University of New Jersey, and help it attain excellence in education, research and public service. By building relationships with alumni, parents, friends, corporations, foundations, and other supporters, the Foundation raises money for, and matches donors' interests to, Rutgers' priorities, as set forth by University leadership.

During fiscal year 2012, the Rutgers University Foundation received contributions totaling $83.1 million. In addition, $43.8 million in new pledges were secured in 2012 as the University has initiated its largest funding campaign, with a goal of $1 billion. The campaign goal is a 100% increase from the $500 million goal of the University's previous campaign, which concluded in June 2004. Through June 30, 2012, the Foundation has raised $655.9 million. Of that amount, $482.0 million has been received with pledges outstanding total $173.9 million.

Gifts to the University are received through: (i) the Office of the Foundation, (ii) the Associate Alumnae of Douglass College and (iii) various University departments. The Foundation maintains the central database and acknowledges all gifts received for the benefit of the University.

Table 12 sets forth the total cash gifts received for the benefit of the University for the five years ended June 30, 2012.

TABLE 12
Gifts Received
(in thousands of dollars)

Fiscal Year	Total Receipts
2008	$ 98,438
2009	113,596
2010	87,722
2011	93,616
2012	83,134

To meet the challenge of raising an increasing amount of private support, Rutgers maintains a professional fund-raising staff of 171. In addition, in 2012, professionally-trained student callers raised $8.8 million for the Foundation's Rutgers Fund, an annual fund-raising activity.

Endowment and Similar Funds of the University

The majority of the assets in the endowment funds are in the Long-Term Investment Pool. Each individual fund subscribes to or disposes units in the pool on the basis of the per-unit market value at the beginning of the three-month period within which the transaction takes place. As of March 31, 2013, the University's Long-Term Investment Pool and separately invested funds had an estimated fair value of $741 million. Table 13 sets forth the estimated fair value of the University's endowment and similar funds as of June 30 in each of the five years ended June 30, 2012 as well as its estimated fair value as of March 31, 2013.

TABLE 13
Endowment and Similar Funds
(in thousands of dollars)

Fiscal Year	Estimated Fair Value
2008	$588,334
2009	505,570
2010	541,892
2011	638,964
2012	634,944
As of March 31, 2013	741,305

Table 13 does not include funds held in trust by others, which at March 31, 2013 had an estimated fair value of $62.8 million. Income derived from such irrevocable trust funds held by others, aggregating $1.7 million as of March 31, 2013, is reported as current restricted fund revenues. Income derived from such trust funds has been applied by the University primarily to fund research in the biological sciences. See "APPENDIX B-1 – INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY" in the Official Statement.

Investment Policy of the University

The primary financial objective of the investment management of the University's endowment, as set forth in the University's Statement of Investment Policy (the "Investment Policy"), is to preserve and enhance the endowment's real purchasing power while, providing a relatively constant stream of earnings for current use. The long-term investment objective for the endowment is to attain an average annual real total return of at least 4.5%, net of inflation, fees, and costs. The University's annual spending policy is to spend an amount not to exceed 4.5% of a trailing 13-quarter average of the endowment's market values. During 2012, the Joint Committee on Investments voted to reduce the endowment spending rate by 5% divided equally over a two year implementation period beginning in fiscal year 2013. For fiscal years 2013 and 2014, the endowment spending policy will drop to 4.3875% and 4.275%, respectively. Current earned income will be used for on-going spending requirements. The endowment assets are under the regular scrutiny of the Joint Investment Committee of the Board of Governors and Board of Trustees (the "Investment Committee") and are allocated to equity, fixed income and other investment classes, within a set range with long-term benchmarks as set forth in the Investment Policy. The investments are placed with professional managers with different investment philosophies to ensure that no single security or class of securities will have a disproportionate impact on the endowment's aggregate results. Subject to the Investment Policy, investment managers have complete discretion to manage the assets in each portfolio to best achieve the University's investment objectives. The Investment Committee, with the assistance of an Investment Consultant, monitors the investment managers to ensure performance and evaluates the Investment Policy on an on-going basis.

Insurance

The University at all times insures its buildings and contents, including buildings under construction, against losses under an All Risk Property program, which is a broad form policy providing for full repair or replacement without deduction for depreciation.

The current property insurance carried by the University is based upon declared replacement value totaling $5.0 billion as of July 1, 2012 with a maximum claim of $1.0 billion per occurrence. Net revenues from major auxiliary enterprise operations (dormitories and apartments, dining services and intercollegiate athletics) are insured against loss due to untenantability of facilities caused by fire and other perils insured under business interruption coverage.

The University has in force primary general and automobile liability policies with $2.0 million limits of liability to protect it and its employees from claims arising from its operations and activities, whether for personal injury or property damage. The University also maintains Umbrella and Excess coverage with limits of liability of $123.0 million to provide protection above the primary policies. The University maintains a self-insurance program for workers compensation covering all employees of the University. The self-insurance program is funded with specific reserves and excess loss protection.

Pension Programs of the University

Eligible University employees participate in State administered retirement programs. Rutgers employees by law are deemed to be employees of the State for purposes of participation in State administered retirement programs. Thus, most of the University's employees participate in the New Jersey Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). Generally, PERS is the program applicable to most staff employees and ABP is applicable to faculty members and to staff members in certain positions as prescribed by law. Prior to July 1, 2010, the New Jersey state pension law provided for a 5% employee contribution and an 8% employer contribution to the mandatory Alternate Benefit Program (ABP), up to the Federal IRS annual compensation limit. However, on July 1, 2010, Governor Christie signed Chapter 31, P.L. 2010 into law, which only allowed employer contributions to the ABP for salaries up to $141,000. In response to this State imposed limit, Rutgers University established the Alternate Benefits Program and Trust. Through the program, Rutgers University continues to make the full 8% employer ABP contributions for salaries in excess of $141,000, up to the Federal IRS Annual Compensation limit.

Some employees assigned to the New Jersey Agricultural Experiment Station participate in the federal Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). PERS, PFRS, CSRS and FERS are defined benefit pension plans and ABP is a defined contribution pension plan. The rules governing participation and benefits are determined by State and federal statutes and regulations, as the case may be. Employer contributions to the State retirement plans are made by the State for those positions authorized and budgeted by the State. With respect to employees whose positions are self-supporting or grant funded, Rutgers reimburses the State for the employer's pension contributions. Rutgers makes no contributions to the federal retirement plans. Rutgers does not have its own retirement programs.

Postemployment Benefits Other Than Pension

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the University's retired employees, in accordance with State statutes. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State's mandatory pension plans. Employees retiring with 25 years of service credited after June 30, 1997 may share in the cost of the health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State and the retired employees, the amounts are not available to the University and no expenses or liabilities for these benefits are reflected in the University's financial statements.

For more information regarding the University's financial information, see "APPENDIX B-1 – INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY" in the Official Statement.

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APPENDIX A-2

INFORMATION CONCERNING THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

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THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY

General

The University of Medicine and Dentistry of New Jersey ("UMDNJ") is a public institution of higher education and a body politic of the State of New Jersey (the "State"). UMDNJ was established as the State's university of the health sciences, with programs at five academic health center campuses and a network of more than 200 affiliated education and healthcare partners throughout the State. UMDNJ operates three medical schools, a dental school, a teaching hospital, behavioral healthcare centers, a cancer institute, schools of biomedical sciences, health-related professions, nursing and public health and several faculty practice plans.

UMDNJ was established in 1970 under the provisions of the Medical and Education Act of 1970, which merged the New Jersey College of Medicine and Dentistry ("NJCMD") with the medical school of Rutgers University ("Rutgers") under a single Board of Trustees as the College of Medicine and Dentistry of New Jersey. It was granted university status in 1981.

UMDNJ includes the following units:

Schools:

- UMDNJ-New Jersey Medical School ("NJMS")
- UMDNJ-Robert Wood Johnson Medical School ("RWJMS")
- UMDNJ-School of Osteopathic Medicine ("SOM")
- UMDNJ-New Jersey Dental School ("NJDS")
- UMDNJ-Graduate School of Biomedical Sciences ("GSBS")
- UMDNJ-School of Health Related Professions ("SHRP")
- UMDNJ-School of Nursing ("SN")
- UMDNJ-School of Public Health ("SPH")

Major Health Care Units:

- UMDNJ-University Hospital ("UH" or the "University Hospital")
- UMDNJ-University Behavioral HealthCare ("UBHC")
- Eric B. Chandler Health Center
- The Cancer Institute of New Jersey ("CINJ")
- Broadway House for Continuing Care ("BHCC")
- Child Health Institute of New Jersey
- University Correctional HealthCare ("UCHC")

UMDNJ Campuses

UMDNJ's facilities are presently located on five main campuses throughout the State. UMDNJ owns and/or occupies a total of 63 buildings on approximately 188 acres with a total of approximately 7.9 million gross square feet of space.

In Newark, five of UMDNJ's eight schools and UH occupy an approximately 65 acre campus of 18 buildings with a total of 5.2 million gross square feet of space:

- In Scotch Plains, UMDNJ leases a 66,000 gross square foot building for the School of Health Related Professionals for its allied health training and academic activities.

- The Central New Jersey campus, with facilities in Piscataway and New Brunswick, occupies approximately 78 acres with 20 buildings and a total of 2.0 million gross square feet of space.

- The Stratford campus occupies approximately 37 acres with 4 buildings and a total of 397,000 gross square feet of space.

- The Camden campus owns approximately 1.9 acres with 3 buildings and a total of 140,000 gross square feet of space.

Other UMDNJ Facilities

In Camden County, UMDNJ owns and operates 16 residential facilities for the UBHC – Shelter Plus Care Program. These facilities occupy approximately 1.0 acre with 16 buildings and a total of 29,000 gross square feet of space.

In Somerset County, UMDNJ owns and occupies a 56,000 gross square foot building on approximately 4.9 acres for various administrative and faculty practice functions.

UMDNJ Restructuring

On August 22, 2012, the Governor of New Jersey signed into law the New Jersey Medical and Health Sciences Restructuring Act (the "Restructuring Act"), which integrates UMDNJ, except for the School of Osteopathic Medicine (SOM) and University Hospital (UH), into Rutgers. In particular, effective July 1, 2013 (the "Transfer Date"), the schools and units of UMDNJ will be realigned as follows:

Schools and units transferring to Rutgers University:

- UMDNJ-New Jersey Medical School (NJMS)
- UMDNJ-Robert Wood Johnson Medical School (RWJMS)
- UMDNJ-New Jersey Dental School (NJDS)
- UMDNJ-Graduate School of Biomedical Sciences (GSBS)
- UMDNJ-School of Health Related Professions (SHRP)
- UMDNJ-School of Nursing (SN)
- UMDNJ-School of Public Health (SPH)
- UMDNJ-University Behavioral HealthCare (UBHC)
- The Cancer Institute of New Jersey (CINJ)

UMDNJ-School of Osteopathic Medicine (SOM) will transfer to Rowan University ("Rowan").

UMDNJ-University Hospital (UH) will continue to exist as an instrumentality of the State and a body corporate and politic, maintaining its status as the principal teaching hospital of New Jersey Medical School, New Jersey Dental School and any other medical education programs located in Newark.

Additionally, certain transfers are being made pursuant to Reorganization Plan No. 02-2009, which became effective on August 24, 2009 with the force and effect of law and result in the transfer of UMDNJ's Robert Wood Johnson Medical School (RWJMS) - Camden activities to Rowan. In addition, the activities of UMDNJ's Broadway House for Continuing Care (BHCC) will be aligned with UH after July 1, 2013.

The UMDNJ schools and units being transferred to Rutgers (the "Transferred Units") will join with the existing Rutgers School of Nursing, Rutgers Ernest Mario School of Pharmacy and the Rutgers Institute of Health, Health Care Policy and Aging Research to form a new organizational unit within the University known as Rutgers Biomedical and Health Sciences ("RBHS"). CINJ, which was formerly a unit within RWJMS, will become a separate institute reporting directly to the President of Rutgers. The Transferred Units operate in facilities located on the Newark and Piscataway/New Brunswick campuses of UMDNJ. For additional information, see Appendix A-3 to the Official Statement.

As provided in the Restructuring Act and subject to the conditions set forth therein, all liabilities and debt of UMDNJ corresponding with the assets to be transferred as described above will be transferred as part of the integration, and UMDNJ as a legal entity shall cease to exist as of the Transfer Date.

Unless otherwise indicated, the information presented in the remainder of this Appendix A-2 shall be reflective only of the Transferred Units.

Leadership

The Deans and Executive Officers of the Schools and Units of UMDNJ to be transferred to Rutgers pursuant to the Restructuring Act are as follows:

Peter S. Amenta, MD, PhD
Dean, Robert Wood Johnson Medical School

Robert S. DiPaola, MD
Director, Cancer Institute of New Jersey

Cecile A. Feldman, DMD, MBA
Dean, New Jersey Dental School

Robert L. Johnson, MD
Dean, New Jersey Medical School

Julie K. O'Sullivan Maillet, PhD
Interim Dean, School of Health Related Professions

George G. Rhoads, MD, MPH
Interim Dean, School of Public Health

Susan W. Salmond, EdD, RN
Dean, School of Nursing

Kathleen W. Scotto, PhD
Dean, Graduate School of Biomedical Sciences

Christopher O. Kosseff, MS
President and Chief Executive Officer
University Behavioral HealthCare

Accreditation of the Transferred Units

UMDNJ is accredited by the Middle States Commission on Higher Education.

NJMS and RWJMS grant Doctor of Medicine (M.D.) degrees and are accredited by the Liaison Committee on Medical Education.

NJDS grants the Doctor of Dental Medicine (D.M.D.) degree, Master of Science (M.S.) degree and Master in Oral Biology degree, as well as postgraduate certificates in various fields of dental practice. NJDS is accredited by the Commission on Dental Accreditation of the American Dental Association.

GSBS grants the Doctor of Philosophy (Ph.D.) degree, the Master of Science (M.S.) degree, the Master of Biomedical Science (M.B.S) degree, and certificate programs in Clinical and Translational Science, Pharmacological Sciences, Stem Cell Biology, Biodefense and Neurosciences. GSBS is accredited by the Middle States Commission on Higher Education.

SHRP collaborates with fourteen community and state colleges in offering joint associate degree programs in a variety of allied health disciplines, as well as joint bachelor's degree programs with thirteen state colleges and universities. SHRP independently offers certificate programs in fields such as dietetic internship, cytotechnology, diagnostic imaging, and medical laboratory science. SHRP offers many masters and doctoral programs in such fields as biomedical informatics, clinical nutrition, clinical trial sciences, health sciences, psychiatric rehabilitation, and physical therapy. The various SHRP professional and certificate programs are accredited by the appropriate national and regional professional accrediting bodies.

SN offers a Doctor of Nursing Practice (D.N.P.) degree program, M.S.N. and B.S.N. degree programs, an M.S.N. degree program in nursing informatics and certificate programs in advanced practice nursing and nursing informatics. SN also offers a joint Ph.D. degree program in urban systems – urban health. The School's nursing programs are accredited by the National League for Nursing Accrediting Commission, in addition to specialized professional accreditation for nurse anesthetist and nurse midwifery tracks of the M.S.N.

SPH offers Ph.D., an M.P.H program with NJIT, and certificate programs for health care professionals from a wide range of disciplines. SPH is accredited by the Council on Education for Public Health.

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Applicants, Acceptances and Matriculations

The five-year record of applications, acceptances and matriculations at UMDNJ's seven professional schools is set forth below.

School	Year	Applicants	Acceptances	Matriculants
New Jersey Medical School	2008-09	4,244	395	194
	2009-10	3,842	384	171
	2010-11	3,403	381	178
	2011-12	3,253	368	177
	2012-13	3,394	358	178
Robert Wood Johnson Medical School	2008-09	3,368	325	156
	2009-10	3,337	321	156
	2010-11	3,370	254	113
	2011-12	3,176	260	130
	2012-13	3,173	236	134
New Jersey Dental School	2008-09	2,181	182	88
	2009-10	2,162	195	90
	2010-11	2,160	183	89
	2011-12	2,001	193	90
	2012-13	1,866	152	91
Graduate School of Biomedical Sciences	2008-09	662	399	248
	2009-10	733	460	276
	2010-11	707	461	280
	2011-12	750	503	307
	2012-13	850	475	276
School of Health Related Professions	2008-09	1,549	764	589
	2009-10	2,258	777	559
	2010-11	2,578	874	645
	2011-12	2,694	919	685
	2012-13	2,902	937	725
School of Nursing	2008-09	1,195	564	456
	2009-10	1,453	699	540
	2010-11	1,865	846	635
	2011-12	2,042	1035	773
	2012-13	1,639	819	659
School of Public Health	2008-09	498	231	117
	2009-10	607	288	140
	2010-11	646	316	149
	2011-12	674	327	137
	2012-13	714	329	145

Enrollment

The five-year record of enrollment at UMDNJ's seven professional schools is set forth below.

School	Year[1]	Student Enrollment	Joint Program Enrollment	Total Enrollment
New Jersey Medical School	2008-09	746	0	746
	2009-10	750	0	750
	2010-11	754	0	754
	2011-12	751	0	751
	2012-13	745	0	745
Robert Wood Johnson Medical School	2008-09	681	0	681
	2009-10	694	0	694
	2010-11	665	0	665
	2011-12	638	0	638
	2012-13	600	0	600
New Jersey Dental School	2008-09	453	0	453
	2009-10	462	0	462
	2010-11	481	0	481
	2011-12	498	0	498
	2012-13	500	0	500
Graduate School of Biomedical Sciences	2008-09	573	521	1,094
	2009-10	580	457	1,037
	2010-11	755	507	1,262
	2011-12	811	508	1,319
	2012-13	776	487	1,263
School of Health Related Professions	2008-09	933	449	1,382
	2009-10	942	464	1,406
	2010-11	952	515	1,467
	2011-12	1,016	528	1,544
	2012-13	1,034	567	1,601
School of Nursing	2008-09	800	23	823
	2009-10	930	32	962
	2010-11	1,170	220	1,390
	2011-12	1,377	248	1,625
	2012-13	1,355	38	1,393
School of Public Health	2008-09	33	342	375
	2009-10	26	348	374
	2010-11	26	354	380
	2011-12	26	350	376
	2012-13	23	345	368

[1] Data as of October 1.

Annual Tuition

The five-year record of tuition and fees at UMDNJ's seven professional schools is set forth below.

	2009-10	2010-11	2011-12	2012-13	2013-14
School/Residency	**Tuition $**	**Tuition $**	**Tuition $**	**Tuition $**	**Tuition $**
New Jersey Medical School					
In State	26,227	30,948	32,805	34,445	35,823
Out of State	41,039	49,657	52,657	55,268	57,479
Robert Wood Johnson Medical School					
In State	26,227	30,948	32,805	34,445	35,823
Out of State	41,039	49,657	52,657	55,268	57,479
New Jersey Dental School					
In State	26,227	30,948	32,805	34,445	35,823
Out of State	41,039	49,657	52,657	55,268	57,479
Graduate School of Biomedical Sciences					
In State	7,402	8,290	8,622	8,881	9,236
Out of State	10,721	12,008	12,488	12,863	13,378
School of Nursing					
In State	486/credit	564/credit	587/credit	605/credit	629/credit
Out of State	690/credit	814/credit	847/credit	872/credit	907/credit
School of Public Health					
In State	547/credit	629/credit	660/credit	680/credit	707/credit
Out of State	804/credit	941/credit	988/credit	1,018/credit	1,059/credit
School of Health Related Professions					
2nd Professional					
In State	295/credit	298/credit	310/credit	329/credit	342/credit
Out of State	443/credit	447/credit	465/credit	493.50/credit	513/credit
Graduate Certificate					
In State	357/credit	393/credit	409/credit	421/credit	438/credit
Out of State	536/credit	589/credit	613/credit	631.50/credit	657/credit
Graduate Degree					
In State	514/credit	524/credit	545/credit	584/credit	607/credit
Out of State	771/credit	786/credit	817/credit	876/credit	910.50/credit

The financial performance of UMDNJ related to its academic and research missions reflects growth in student demand, enrollment and tuition.

Research, Grants and Other Contracts

Growth in governmental and private grants and contracts is critical to the ability to attract faculty and scientists and enhance academic reputation. Research funds are received from Federal, State and local governments and private sources, which generally provide for the recovery of direct and indirect costs. Research revenues are expected to decrease slightly in 2013 due to lower expense activity related to American Reinvestment and Recovery Act awards. The table below reflects research awards received by the Transferred Units for the past five years, as well as major awards received in 2012. Such awards do not constitute revenues with respect to the Transferred Units.

Summary of Awards
($ in millions)

	2008	2009	2010	2011	2012
Federal	$118.5	$129.0	$167.0	$132.2	$118.0 (a)
State and local government	53.6	82.6	97.4	81.1	91.3
Corporations and private	34.2	15.9	30.2	43.8	33.6
Foundations, universities and health organizations	42.7	48.1	48.1	40.5	38.1
TOTAL	$249.0	$275.6	$342.7	$297.6	$281.0

Major awards received in 2012:

	($ in Millions)
Child health nursing program with NJ DYFS	$35.5
Minority student support for PhD program	$ 4.5
Cartoid Revascularization grant from NIH	$ 3.7
Cancer research grants	$20.5
Physical therapy program for Newark & Paterson	$ 3.5
Counseling and training contracts for adults and children with State & county agencies	$15.3

(a) NIH awards totaled $94.1 million in 2012.

In addition, UBHC has contracts with the State Department of Corrections to provide mental and physical healthcare services for inmates of state prisons that generated revenue of $134.8 million in 2011 and $138.4 million in 2012.

Faculty and Staff

As of April 2013, the faculty and staff employed by the Transferred Units, including Central Administration staff (prior to allocation), totaled approximately 10,753, of whom 7,948 are represented by the following labor organizations:

Number of employees	Union
1,370	American Association of University Professors (AAUP)
29	New Jersey Education Association (NJEA)
941	Committee of Interns and Residents
2,715	Health Professionals & Allied Employees
638	Communication Workers of America
1,917	Teamsters
95	Office Professional Employee International Union (OPEIU)
65	Fraternal Order of Police
178	International Union of Operating Engineers

See Appendix A-3 to the Official Statement for a discussion regarding the status of the collective bargaining agreements with faculty and staff of the Transferred Units after July 1, 2013.

Financial Information

The accompanying UMDNJ Unaudited Consolidating Schedule of Net Assets and Unaudited Consolidating Schedule of Revenues, Expenses and Changes in Net Assets presented on the following pages of this Appendix A-2 are derived from the UMDNJ historical accounting records. This financial data has been prepared based upon the anticipated integration of the Transferred Units with Rutgers effective July 1, 2013 in accordance with the Restructuring Act, and are not intended to be a complete presentation of the consolidated financial position of the business-type activities or changes in financial position of UMDNJ in conformity with accounting principles generally accepted in the United States of America.

The historical financial data of UMDNJ has been allocated based on management's assumptions at the date of this Official Statement to transfer specific net assets in accordance with the anticipated integration of the Transferred Units with Rutgers effective July 1, 2013 in accordance with the Restructuring Act, and therefore, may not be reflective of the net assets that ultimately may be transferred on July 1, 2013 or the changes in financial position or net assets for any period in the future. Further adjustments, which may be material, may be required to conform to the final transferred amounts as agreed to among Rutgers, Rowan, UMDNJ, University Hospital and the State.

Note that the column labeled "Units Transferred to Rutgers" represents the UMDNJ units expected to be transferred to Rutgers on July 1, 2013 (New Jersey Medical School (NJMS); Robert Wood Johnson Medical School (RWJMS); New Jersey Dental School (NJDS); Graduate School of Biomedical Sciences (GSBS); School of Health Related Professions (SHRP); UMDNJ-School of Nursing (SN); UMDNJ-School of Public Health (SPH); UMDNJ-University Behavioral HealthCare (UBHC); and The Cancer Institute of New Jersey (CINJ), or the "Transferred Units" as referred to in this Appendix A-2). The column labeled "Units Not Transferred to Rutgers" represents the School of Osteopathic Medicine (SOM) (which is being transferred to Rowan on July 1, 2013) and University Hospital, in addition to any other transfers made pursuant to the Reorganization Plan No. 02-2009, which became effective on August 24, 2009 with the force and effect of law and result in the transfer of UMDNJ's Robert Wood Johnson Medical School (RWJMS) - Camden activities to Rowan. In addition, the activities of UMDNJ's

Broadway House for Continuing Care (BHCC) will be aligned with University Hospital after July 1, 2013.

The "Eliminations" column within the Unaudited Consolidating Schedule of Net Assets represents amounts owed by University Hospital to either Rutgers or Rowan. These amounts are currently being negotiated by Rutgers, Rowan, UMDNJ, University Hospital and the State, and the final allocation of such amounts is subject to change, which changes may include the elimination of the amounts shown as due from University Hospital to Rutgers and Rowan. The "Eliminations" column within the Unaudited Consolidating Schedule of Revenues, Expenses and Changes in Net Assets represents the elimination of deemed rental income from units not transferred based upon space usage.

Allocation Methodology

Certain account balances in the Unaudited Consolidating Schedule of Net Assets and the Unaudited Consolidating Schedule of Revenues, Expenses and Changes in Net Assets were allocated to the Transferred Units based on specific identification of balances of the Transferred Units. Certain account balances, as described below, were allocated based on assumptions and methodologies that management believes are reasonable. However, such allocated amounts may not be indicative of the actual balances that would have existed at the Transferred Units if it had operated as an independent entity and may not be representative of the allocation in the future.

The following is a description of the allocation methodologies that have been utilized in the development of the Unaudited Consolidating Schedule of Net Assets and the Unaudited Consolidating Schedule of Revenues, Expenses and Changes in Net Assets appearing on pages A-2-12 and A-2-13, respectively.

Unaudited Consolidating Schedule of Net Assets:

Claim on Cash
The allocation of claim on cash is based upon the financial transactions that identify cash activity in each unit.

Due from Other Funds
Due from other funds represents a reclassification from claim on cash related to receivables from University Hospital and BHCC in connection with internal lending, which have been allocated to the Transferred Units based on the relative balance of cash and cash equivalents and claim on cash as of June 30, 2012. Note that the amounts due from other funds have not been assessed for collectability as amounts eliminated in consolidation of the UMDNJ Unaudited Consolidating Schedule of Net Assets. Accordingly, the $86,161 may not be paid upon the transfer of assets to Rutgers. This includes a loan from UMDNJ to BHCC in the amount of $12,319, which will be canceled upon transfer of BHCC.

Assets Held by Trustees and Deferred Financing Costs
Assets held by trustees represents assets whose uses are limited under various bond indenture agreements. Assets held by Trustees and Deferred Financing Costs have been allocated consistent with the long-term debt allocated to the Transferred Units that contain these bond indentures.

Capital Assets, Net
Capital assets, net have been allocated to the Transferred Units based on location and purpose. Therefore, if a capital asset was dedicated to a particular Transferred Unit in a historical period, it has been assigned to that Transferred Unit's balance sheet.

Accrued Claims Liability
Accrued claims liability represents a liability for workers compensation claims based upon an actuarial valuation, which has been allocated to the Transferred Units based upon historical ratios of claims paid and incurred.

Long-Term Debt
Long-term debt, including the current portion thereof, represents an allocation of consolidated UMDNJ debt that was issued to finance various projects at UMDNJ and has been primarily allocated to the Transferred Units based upon the amount of long-term debt used to fund each project within each corresponding Transferred Unit.

Net Assets
The allocation of assets and liabilities has resulted in the allocation of net assets.

Unaudited Consolidating Schedule of Revenues, Expenses and Changes in Net Assets:

Other Operating Revenues
Other operating revenues include depreciation costs allocated to units not transferred, which represent deemed rental income between units based upon space usage.

Depreciation
Depreciation has been allocated to the Transferred Units consistent with the allocation of capital assets.

Insurance
Insurance includes malpractice claims and insurance premiums paid from UMDNJ's Self-Insurance Reserve Fund, which has been allocated to the Transferred Units based upon a ratio of claims paid.

Interest Expense
Interest expense has been allocated to the Transferred Units based on the amount of long-term debt allocated to the Transferred Units.

Fringe benefits paid by the State
Fringe benefits paid by the State includes certain fringe benefits paid by the State for the University's employees and have been allocated to the Transferred Units based upon the ratio of employees' salaries that are specific to those Transferred Units.

Academic and student support and Operation and maintenance of plant
Academic and student support and Operation and maintenance of plant include certain costs of employee fringe benefits allocated to the Transferred Units based upon the ratio of employees' salaries specific to those Transferred Units.

University of Medicine and Dentistry of New Jersey
Unaudited Consolidating Schedule of Net Assets
as of June 30, 2012
($000)

	UNITS TRANSFERRED TO RUTGERS	UNITS NOT TRANSFERRED TO RUTGERS[2]	ELIMINATIONS	TOTAL PER AUDITED FINANCIAL STATEMENTS
ASSETS				
Current assets				
Cash and cash equivalents	$ 183,560	$ 868	$ -	$ 184,428
Claim on cash	(10,752)	10,752	-	
Due from other funds[1]	86,161	15,168	(101,329)	
Short-term investments	96	-	-	96
Accounts receivable	26,613	92,666	-	119,279
Other receivables	98,751	10,463	-	109,214
Grants receivable	57,409	14,819	-	72,228
Inventories and other assets	3,372	17,935	-	21,307
Assets held by trustees-current portion	16,464	18	-	16,482
Total current assets	461,674	162,689	(101,329)	523,034
Noncurrent assets				
Endowment investments	20,648	-	-	20,648
Other long-term investments	473	-	-	473
Loan to students	29,197	4,408	-	33,605
Deferred financing costs and other	11,693	1,549	-	13,242
Assets held by trustees	46,855	15,113	-	61,968
Capital assets, net	634,920	227,107	-	862,027
Total noncurrent assets	743,786	248,177	-	991,963
Total assets	1,205,460	410,866	(101,329)	1,514,997
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	128,693	47,823	-	176,516
Estimated third party payors – current	120	1,794	-	1,914
Due to other funds	-	101,329	(101,329)	-
Accrued vacation	32,054	14,949	-	47,003
Deferred revenues	58,410	17,307	-	75,717
Long-term debt and capital lease obligations-current portion	14,850	3,423	-	18,273
Total current liabilities	234,127	186,625	(101,329)	319,423
Noncurrent liabilities				
Accrued claims liability and other	11,325	22,315	-	33,640
Estimated third party payor settlements	-	47,228	-	47,228
Long-term debt and capital lease obligations	496,783	133,722	-	630,505
Total noncurrent liabilities	508,108	203,265	-	711,373
Total liabilities	742,235	389,890	(101,329)	1,030,796
Net Assets				
Invested in capital, net of related debt	192,481	89,962	-	282,443
Restricted expendable	159,537	3,387	-	162,924
Restricted nonexpendable	63,452	3,890	-	67,342
Unrestricted	47,755	(76,263)	-	(28,508)
Total net assets	$ 463,225	$ 20,976	$ -	$ 484,201

[1] Note that the amounts due from other funds have not been assessed for collectability as amounts eliminated in consolidation of the UMDNJ Unaudited Consolidating Schedule of Net Assets. Accordingly, the $86,161 may not be paid upon the transfer of assets to Rutgers.

[2] UMDNJ has recorded liabilities related to UH's Medicaid cost reports totaling $49.7 million and $71.7 million as of June 30, 2012 and 2011, respectively, which are included in estimated third party payors settlements.

University of Medicine and Dentistry of New Jersey
Unaudited Consolidating Schedule of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2012
($000)

	UNITS TRANSFERRED TO RUTGERS	UNITS NOT TRANSFERRED TO RUTGERS	ELIMINATIONS	TOTAL PER AUDITED FINANCIAL STATEMENTS
Operating revenues				
Tuition and fees	$ 104,492	$ 21,871	$ -	$ 126,363
Government grants and contracts	210,166	20,249	-	230,415
Private grants and contracts	61,411	4,134	-	65,545
Net patient service revenues	44,262	484,097	-	528,359
Professional services and contracts	348,503	44,006	-	392,509
Auxiliary sales and services	16,410	3,338	-	19,748
Other operating revenues	38,152	3,139	(1,650)	39,641
Total operating revenues	823,396	580,834	(1,650)	1,402,580
Operating expenses				
Instruction	159,437	25,211	-	184,648
Research	164,568	4,382	-	168,950
Public service	92,318	16,510	-	108,828
Academic and student support	25,636	5,026	-	30,662
Institutional and administrative support	94,143	20,205	-	114,348
Patient care services	126,116	541,604	(1,650)	666,070
Professional services and contracts	319,837	39,485	-	359,322
Operation and maintenance of plant	43,295	10,443	-	53,738
Interfund Transfers	(16,241)	16,241	-	-
Depreciation	44,928	22,175	-	67,103
Insurance	6,452	4,439	-	10,891
Auxillary enterprise and other	14,204	3,199	-	17,403
Total operating expenses	1,074,693	708,920	(1,650)	1,781,963
Operating loss	(251,297)	(128,086)	-	(379,383)
Nonoperating revenues (expenses)				
State Appropriations – operations	170,739	35,199	-	205,938
Fringe benefits paid by State	108,531	96,118	-	204,649
Investment Income	1,614	447	-	2,061
Unrealized appreciation on investments	131	-	-	131
Interest expense	(31,454)	(7,116)	-	(38,570)
Other nonoperating	(1,759)	2,825	-	1,066
Total nonoperating revenues, net	247,802	127,473	-	375,275
Other Revenues				
Capital grants	4,826	-	-	4,826
Increase/(Decrease) in net assets	$ 1,331	$ (613)	$ -	$ 718

Note that the allocation of State appropriations shown in the schedule above (consisting of $170.0 million from the Department of State (general); $17.9 million from the Department of Human Services (DHS); and $18.0 million from the Department of Health) may not reflect future allocations of such appropriations among the entities. No assurance can be made that appropriations for Fiscal Year 2014 and future fiscal years will reflect the existing allocations of State funds or the amount of appropriations in general from the State.

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APPENDIX A-3

UNAUDITED COMBINING SCHEDULE OF NET ASSETS, AS ADJUSTED, AND UNAUDITED COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, AS ADJUSTED, OF THE UNIVERSITY AND UMDNJ, AND OTHER DISCLOSURES RELATED TO THE TRANSFERRED UNITS

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UNAUDITED COMBINING SCHEDULE OF NET ASSETS, AS ADJUSTED, AND UNAUDITED COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, AS ADJUSTED, OF THE UNIVERSITY AND UMDNJ, AND OTHER DISCLOSURES RELATED TO THE TRANSFERRED UNITS

On July 1, 2013, the New Jersey Medical and Health Sciences Restructuring Act (the "Restructuring Act") goes into effect, integrating into Rutgers, The State University of New Jersey ("Rutgers" or the "University"), all units of the University of Medicine and Dentistry of New Jersey ("UMDNJ"), except the School of Osteopathic Medicine in Stratford, which will be transferred to Rowan University ("Rowan"), and the University Hospital, which will continue to exist as a body corporate and politic, maintaining its status as the principal teaching hospital of New Jersey Medical School, New Jersey Dental School and any other medical education programs located in Newark.

The following UMDNJ units (collectively, the "Transferred Units") become part of Rutgers on July 1, 2013 (the "Transfer Date"):

- Graduate School of Biomedical Sciences
- New Jersey Dental School
- New Jersey Medical School
- Robert Wood Johnson Medical School
- School of Health Related Professions
- School of Nursing
- School of Public Health
- University Behavioral Health Care
- The Cancer Institute of New Jersey

The Transferred Units (except for The Cancer Institute of New Jersey) will be combined with the Rutgers School of Pharmacy, the Rutgers College of Nursing, the Institute for Health, Health Care Policy, and Aging Research, and any other schools at the discretion of Rutgers' president, to form a new organizational unit within the University known as "Rutgers Biomedical and Health Sciences." Rutgers Biomedical and Health Sciences will be headed by its own chancellor reporting directly to Rutgers' president.

Rutgers Biomedical and Health Sciences

UMDNJ Units

- Graduate School of Biomedical Sciences
- New Jersey Dental School
- New Jersey Medical School
- Robert Wood Johnson Medical School
- School of Health Related Professions
- School of Nursing
- School of Public Health
- University Behavioral Healthcare

Rutgers Units:

- College of Nursing
- Ernest Mario School of Pharmacy
- Institute for Health, Health Policy, and Aging Research
- Other schools at the discretion of Rutgers' president

Joint Centers and Institutes:

- Center for Advanced Biotechnology and Medicine
- Environmental and Occupational Health Sciences Institute

The Cancer Institute of New Jersey, a nationally designated cancer center, will be designated a separate institute within Rutgers.

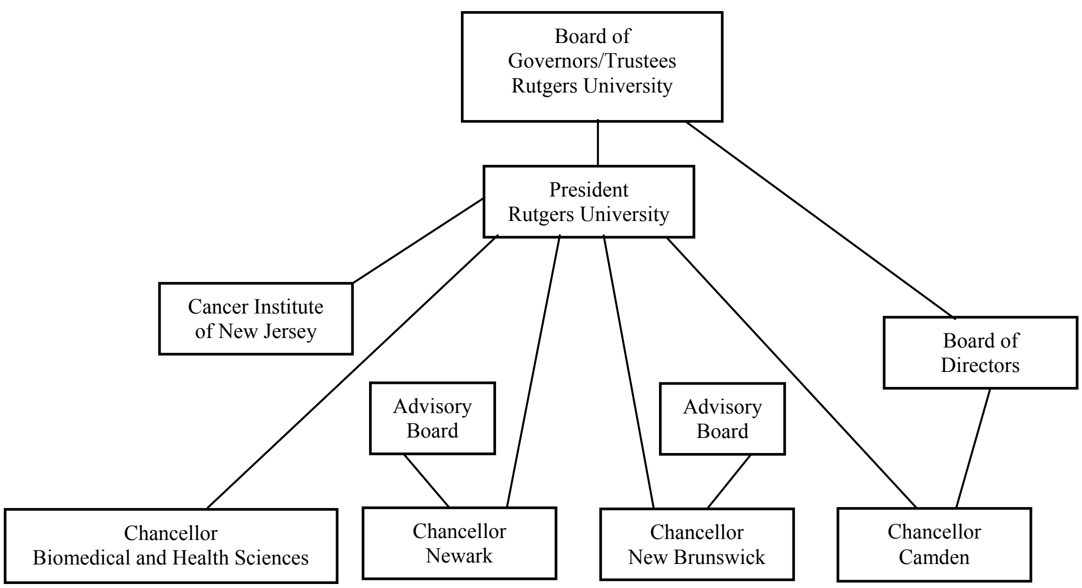
On July 1, 2013, Rutgers will have 35 degree-granting schools; 23,000 faculty and staff; approximately 65,000 matriculated students from all 50 states and more than 125 countries; more than $700 million annual research and development expenditures; an annual budget of over $3.0 billion; more than 900 buildings; and campuses in New Brunswick, Piscataway, Newark and Camden, and locations throughout New Jersey. After July 1, 2013, the legacy UMDNJ campus in Newark will become the Rutgers Health Sciences Campus at Newark.

The following sections are intended to provide an overview of the organization and governance, enrollment and financial information related to the integration of Rutgers and the Transferred Units after July 1, 2013.

ORGANIZATION AND GOVERNANCE

Role and Membership of Governing Bodies after July 1, 2013

Under the Restructuring Act, Rutgers Board of Governors continues to be the governing body for all of the University. The Restructuring Act creates a new board of directors for the Rutgers-Camden campus and creates advisory boards for both Rutgers-New Brunswick and Rutgers-Newark campuses. The Restructuring Act also creates a joint board of governors between Rutgers-Camden and Rowan to help structure future health sciences programs in the southern part of the State.



The Rutgers Board of Governors and the Board of Trustees

Upon reorganization in 1956, Rutgers' formerly private governing board – the Board of Trustees – transferred all management, control, administration and policy-making functions to the publicly controlled Board of Governors. The Board of Trustees retains the power to manage and invest certain pre-1956 private assets or private gifts and maintains an advisory role at the school in support of the University. Under the Restructuring Act, the number of members of the Board of Governors was increased by four members. The Board of Governors continues its primary role in University governance. See "APPENDIX A-1 – INFORMATION CONCERNING RUTGERS, THE STATE UNIVERSITY" for a description of the Board of Governors and the Board of Trustees.

The Restructuring Act mandates that the Board of Governors shall continue to have authority over the granting of tenure and promotions, establishing standards for academic programs and for the awarding of tenure to faculty on all of its campuses. On May 6, 2013, the University obtained a declaratory judgment order affirming the authority of the Board of Governors and Board of Trustees to accept and consent to the terms of the Restructuring Act.

Rutgers-Camden Board of Directors

Effective July 1, 2013, the Restructuring Act creates a new campus board of directors for Rutgers–Camden (the "Rutgers-Camden Board of Directors"). The creation of the board of directors in Camden does not diminish the authority of the Rutgers' Board of Governors, which is represented on the Rutgers-Camden Board of Directors. The Rutgers–Camden Board of Directors is composed of 10 members as follows.

a. the chancellor of Rutgers–Camden (ex-officio, nonvoting member);

b. three members appointed by the Rutgers Board of Governors;

c. two members appointed by the Rutgers Board of Trustees from among its non-public members; and

d. four members who are residents of the southern counties, appointed by the Governor with the advice and consent of the Senate.

The Rutgers-Camden Board of Directors will have the following powers:

a. determine policies for the organization, administration and development of Rutgers-Camden, subject, however, to the university-wide policies of the University;

b. study the educational and financial needs of Rutgers University-Camden and annually acquaint the Governor and Legislature with the condition of Rutgers-Camden;

c. disburse all moneys appropriated to Rutgers-Camden by the Legislature and all moneys allocated to Rutgers-Camden from tuition, fees, auxiliary services and other sources;

d. direct and control expenditures and transfers of funds appropriated and allocated to Rutgers-Camden;

e. subject to the signatory delegation, procurement and other applicable policies of the University, employ architects to plan buildings, secure bids for the construction of buildings and for the equipment thereof, make contracts for the construction of buildings and for equipment, and supervise the construction of buildings;

f. manage and maintain and provide for the payment of all charges on and expenses in respect of, all properties utilized by Rutgers-Camden;

g. in accordance with the provisions of the State budget and appropriations acts of the Legislature, fix the compensation of the chancellor of Rutgers-Camden, subject to the University's compensation guidelines;

h. elect, appoint, remove, promote or transfer all corporate, official, educational and civil administrative personnel, and fix and determine their salaries consistent with the terms of any applicable collective negotiations agreements;

i. appoint, remove, promote and transfer all other officers, agents or employees, assign their duties, determine their salaries and prescribe qualifications for all positions, in accordance with policies of the University and consistent with the terms of any applicable collective negotiations agreements; and

j. subject to university-wide signatory delegation, procurement and other applicable policies, enter into contracts and agreements with the State or any of its political subdivisions or with the United States, or with any public body, department, or other agency of the State or the United States, or with any individual.

Nothing in the Restructuring Act shall be construed to alter, amend, modify or diminish the authority of the Rutgers Board of Governors to grant tenure and promotion to the faculty at Rutgers-Camden, and to establish standards for academic programs and for the awarding of degrees for Rutgers-Camden thus preserving university-wide quality standards.

Campus Advisory Boards – Newark and New Brunswick

The Restructuring Act also creates two new campus advisory boards. The advisory boards will be responsible to advise the President and the Board of Governors of Rutgers on the selection of the New Brunswick and Newark chancellors; to propose capital projects and bonding for New Brunswick and Newark campuses to the Rutgers Board of Governors; and to propose an annual budget for Rutgers–New Brunswick and Rutgers–Newark to the Rutgers Board of Governors. These advisory boards include representation from University leadership and governance including the Chancellor of each campus and a member from the Rutgers Board of Governors.

The Rutgers-Newark Advisory Board will be composed of 13 members as follows:

a. the chancellor of Rutgers-Newark (ex-officio);

b. the member of the Rutgers Board of Governors who is appointed by the Rutgers Board of Trustees and who is required to be a resident of Essex County;

c. two Rutgers-Newark faculty members one of whom is appointed by the faculty union and one of whom is elected by the Rutgers Newark Faculty Council;

d. one member of the Rutgers-Newark administration appointed by the Rutgers-Newark chancellor;

e. one Rutgers-Newark staff member selected from among the staff unions;

f. two student representatives appointed by the Rutgers-Newark student governing association;

g. three members of the local community, two of whom shall be selected by the Office of Community Affairs from community organizations with one of these members being an alumnus of Rutgers-Newark, and one of whom shall be selected by the Mayor of the City of Newark; and

h. two public members who are appointed by the chancellor and who are residents of a northern county.

The Rutgers-New Brunswick Advisory Board will be composed of 11 members as follows:

a. the chancellor of Rutgers-New Brunswick (ex-officio);

b. the member of the Rutgers Board of Governors who is appointed by the Rutgers Board of Trustees and who is required to be a resident of Middlesex County;

c. two Rutgers-New Brunswick faculty members one of whom is appointed by the faculty union and one of whom is elected by the Rutgers New Brunswick Faculty Council;

d. one member of the Rutgers-New Brunswick administration appointed by the Rutgers-New Brunswick chancellor;

e. one Rutgers-New Brunswick staff member selected from among the staff unions;

f. two student representatives appointed by the Rutgers-New Brunswick student governing association; and

g. three members of the local community, two of whom shall be selected by the Office of Community Affairs from community organizations with one of these members being an alumnus of Rutgers-New Brunswick, and one of whom shall be selected by the Mayor of the City of New Brunswick.

Joint Board - Rowan University-Rutgers Camden Board of Governors

The Restructuring Act also creates a joint Rowan University-Rutgers Camden Board of Governors to provide joint oversight for any new health sciences programs to be created by either institution or by the two institutions collaboratively. "Health sciences" includes, but is not limited to, nursing, medicine, dentistry, pharmacy, pharmacology, biochemistry, biomedicine, genetics, bioengineering, public health and physician-related studies.

The Rowan University-Rutgers Camden Board of Governors is composed of seven members as follows:

a. two members appointed by the Board of Trustees of Rowan from among its members;

b. two members appointed by the Board of Directors of Rutgers-Camden from among its members; and

c. three members appointed by the Governor with the advice and consent of the Senate.

The Rowan University-Rutgers Camden Board of Governors will have the following powers:

a. approve or disapprove of the establishment or expansion of any schools, programs or departments after the effective date of the Restructuring Act in the area of the health sciences proposed by either the Board of Trustees of Rowan or the Board of Directors of Rutgers-Camden;

b. determine policies for the organization, administration, and development of curriculum and programs of Rowan and Rutgers-Camden in the area of the health sciences, including dual degree programs and partnerships between the institutions;

c. make recommendations to Rowan and to Rutgers for joint faculty appointments to Rowan and Rutgers-Camden;

d. provide curricular oversight of joint programs in the area of the health sciences of Rowan and Rutgers-Camden; and

e. develop plans for the operation and governance of health science facilities, including plans concerning the development and financing of capital improvements or expansions of health science facilities.

The Rowan University-Rutgers Camden Board of Governors has no control over state appropriations, research grants, endowment funds or any other funds provided to or accumulated by and under the control of either institution without the respective approval of the Rowan Board of Trustees or the Rutgers Board of Governors. The Rowan University-Rutgers Camden Board of Governors also has no authority over the tenure or contract rights of faculty at either Rutgers or Rowan; that authority will remain with the board of governors at each respective institution.

FACULTY AND STAFF

All employees of the Transferred Units will become employees of the University as of the Transfer Date. Pursuant to the Restructuring Act, Rutgers will assume all obligations under existing or expired collective negotiations agreements that cover employees of the Transferred Units as of July 1, 2013. The UMDNJ employees will, upon transfer to Rutgers, retain all of their rights and benefits under existing collective negotiations agreements or contracts until such time as new or revised agreements or contracts can be reached. The Restructuring Act states that there can be no layoffs of union employees as a result of the integration until July 1, 2014.

Rutgers and UMDNJ are working collaboratively to evaluate existing Rutgers and UMDNJ policies and procedures for faculty and staff. To the extent possible, such policies and procedures are being aligned so that they can be evenly applied to all. Senior administrators at Rutgers and UMDNJ have discussed differences and are actively seeking resolutions, with a goal of identifying and putting into place as many consistent policies and procedures as of July 1, 2013 as possible and to continue the process of integration after the formal integration. Some of the new/revised policies will require approval by the Rutgers Board of Governors and others will be approved by the Executive Vice President for Academic Affairs. In all cases, integration team members are working expeditiously to obtain the necessary approvals prior to the Transfer Date.

AFFILIATION AGREEMENTS WITH HOSPITALS AND PHYSICIANS

Hospital Affiliations

Rutgers will retain responsibility for the overall execution of the academic programs of the Transferred Units. With regard to clinical training, Rutgers will continue the existing UMDNJ affiliation agreements for clinical training sites for medicine, dentistry, nursing and School of Health Related Professions programs, and will develop a comprehensive arrangement with University Hospital that will address undergraduate medical education, graduate medical education and all other clinical training at the facility. In compliance with the Liaison Committee on Medical Education and the Accreditation Council for Graduate Medical Education and other accreditation requirements, master affiliation agreements are and will be maintained with participating sites, and will outline the conduct of the parties in achieving their educational objectives. For graduate medical education programs, as is normally the case at academic medical centers, the sponsoring institutions will retain responsibility for their graduate medical and dental education programs, including when house officer assignments occur in sites external to Rutgers facilities.

Robert Wood Johnson University Hospital is the clinical campus of the Robert Wood Johnson Medical School (RWJMS). It provides a full range of healthcare services as Central New Jersey's only Level 1 Trauma Center and academic medical center. RWJMS will continue to maintain the existing affiliation relationship and agreement with Robert Wood Johnson University Hospital. Its contractual relationship will remain in effect after the integration process is completed. The existing affiliation agreement with Robert Wood Johnson University Hospital will be transferred from UMDNJ to Rutgers as of July 1, 2013.

Because University Hospital will commence operations as of July 1, 2013 and will become an independent state instrumentality, it is necessary to develop a new set of affiliation agreements between University Hospital and the post-integration Rutgers schools (e.g., New Jersey Medical School (NJMS), New Jersey Dental School (NJDS), School of Nursing (SN), School of Public Health (SPH), School of Health Related Professions (SHRP)), all of which agreements will become effective as of July 1, 2013. These affiliation agreements will memorialize the clinical and other services to be provided by the existing UMDNJ medical, dental, nursing and allied health faculty transferring to Rutgers. The agreements will also set forth the payment terms and will ensure a fair market contractual relationship in compliance with applicable federal law.

The following lists the material agreements being developed to establish the affiliation arrangement required by the Restructuring Act between University Hospital and Rutgers. It is expected that these agreements will be finalized and executed on or prior to the Transfer Date. These agreements are each expected to have an initial five-year term, with options to renew and with provisions to adjust the economic terms between the parties annually.

1. **Master Affiliation Agreement**. This is the chief agreement between University Hospital and the post-integration Rutgers schools, which governs the terms of how the parties interact. This agreement sets forth the goals of the University Hospital/Rutgers affiliations and the basic operating principals. Additional agreements for specific services (as listed below) will be appended to the Master Affiliation Agreement (e.g., Clinical Services Agreement).

2. **Clinical Services Agreement for New Jersey Medical School (NJMS) and New Jersey Dental School (NJDS)**. This agreement sets forth the specific services that Rutgers physicians and dentists provide to University Hospital and governs the payments for those services. The payment for such services will be fair market value in accordance with applicable federal healthcare laws.

3. **Education Agreements**. These agreements will identify the mutual responsibilities and expectations of Rutgers and University Hospital in connection with the provision of supervised clinical experiences at University Hospital for the students of New Jersey Medical School (NJMS), New Jersey Dental School (NJDS), the School of Nursing (SN), and the School of Health Related Professions (SHRP) (i.e., one agreement for each institution) who are not yet residents and who will not perform clinical services.

4. **Graduate Medical Education (GME) Agreements**. These agreements memorialize the services that residents of Rutgers will provide to University Hospital and also how those residents are supervised and trained while working at University Hospital. There will be one agreement for New Jersey Medical School (NJMS) and one agreement for New Jersey Dental School (NJDS). The payment terms for the residents' services is also described in these agreements.

5. **Research Affiliation Agreement**. This agreement relates to the role of University Hospital as the primary research hospital for Rutgers. This agreement allows Rutgers to use University Hospital facilities (i.e., lab, pharmacy, imaging) for clinical research.

6. **Shared Services Agreement**. This agreement provides for partial secondment of specific employees between University Hospital and Rutgers. Roles governed by this agreement include Chief Medical Officer, Chief Quality Officer, Residency Coordinators, Mid-Level Practitioners, Assistants to Chiefs of Services, and Hospital Administrative Support.

7. **Transition Services Agreement**. This agreement outlines services to be provided between University Hospital and Rutgers on a temporary basis (e.g., Information Technology support, etc.). Unlike the other agreements, the term of this agreement is expected to be two years, with some services expected to be assumed by University Hospital sooner. The agreement allows for extensions in the event University Hospital requires a specific service beyond two years.

8. **Commercial Services Agreement** (a.k.a Continuing Services Agreement). This agreement outlines services to be provided between University Hospital and Rutgers on a long-term or ongoing basis (e.g., snow removal, landscaping, etc.).

Faculty Practice Plans

The faculty practice plan (FPP) is an integral component of any academic medical center, and a strong FPP is of critical importance to successful medical schools and teaching hospitals. There are currently three significant unique practice plans (RWJ Medical Group, University Physicians Associates, and UMDNJ Center for Oral and Dental Health) associated with Robert Wood Johnson Medical School, New Jersey Medical School and New Jersey Dental School, respectively, and two very small practice plans associated with the School of Nursing and the School of Health Related Professions. The FPPs annually generate in excess of $250 million in patient revenue. The three major practice plans are large organizations that have become complex and sophisticated business units. Their functions will not change significantly after the integration.

It is anticipated that NJMS will continue its relationship with its faculty practice plan University Physician Associates (UPA), an independent not-for-profit corporation. UPA provides services to NJMS clinical faculty as the exclusive vendor of billing and collecting solutions as well as other traditional back office financial functions. The billing and collections functions at both the RWJMS and the NJDS are provided by each school through their respective internal groups. All three FPPs will continue to serve clients after the Transfer Date; and will continue to provide the high level of clinical and patient care that that they now offer.

In conjunction with Rutgers, the faculty practice plans of the above-referenced UMDNJ schools are focusing on clinical program operational and financial integration, cost-effective and patient-sensitive ambulatory care management, competitive service and market diversification, and coordinated physician workforce planning. The restructuring provides the opportunity to build on the existing strategic priorities, while identifying new ways to enhance revenue generation and achieve potential operational efficiencies.

REAL ESTATE

The State of New Jersey holds title to the Newark Health Sciences Campus and currently leases the land and improvements to UMDNJ pursuant to a long-term ground lease. Pursuant to the ground lease, UMDNJ pays nominal rent and assumes all operational responsibility for the property. As of the Transfer Date, the State will enter into an amendment to the ground lease pursuant to which it will lease to each of Rutgers and University Hospital their applicable buildings and related land (e.g., University Hospital will lease the hospital building and land from the State, Rutgers will lease the Medical Education Building and land, etc.). The remaining terms of the existing ground lease will continue but will apply to both ground lessees (Rutgers and University Hospital), respectively. In the instances where an institution uses portions of space ground leased to the other, the parties expect that the ground lessee will sublease that space to the occupying institution at fair market rental value. The subleases are expected to be finalized and executed on or prior to the Transfer Date.

INSURANCE

As of the date of the Official Statement, UMDNJ maintains all risk property insurance coverage, including boiler and machinery coverage, to insure its buildings and properties, including buildings under construction, subject to $1,000,000,000 policy limits of coverage.

UMDNJ maintains blanket crime insurance coverage protecting against employee theft, depositors forgery, computer theft, fund transfer fraud and, also, providing for premises coverage and transit coverage subject to limits of coverage of $10 million per insuring clause.

Directors and officers liability insurance is provided for UMDNJ by commercial insurance coverage subject to limits of liability of $50 million excess of a $1 million self-insured retention.

Automobile, general and professional liability commercial excess insurance coverage is provided excess of self-insured retentions of $1 million, $3 million and $5 million, respectively, subject to limits of $100 million excess of the aforementioned self-insured retentions. UMDNJ as a body corporate and politic of the State, is subject to liability pursuant to the terms and provisions of the State of New Jersey Tort Claims Act, N.J.S.A. 59:1-1, et seq., providing for statutory coverage of UMDNJ and its facilities and schools, faculty, residents, students and employees.

The State Treasury contains a fund, known as the University of Medicine and Dentistry of New Jersey Self-Insurance Reserve Fund (the “Fund”), which is used to pay malpractice claims, insurance premiums and claims related to auto liability. UMDNJ and the State approve the payment of claims and UMDNJ is required to collect contributions to the Fund from its affiliated hospitals and UPA. Monies in the fund and existing commercial excess liability insurance coverage are used to meet the cost of claims against UMDNJ, UH and the faculty practice plans. The State has the ultimate liability for any claims in excess of the Fund's assets. After July 1, 2013, the Fund will continue to cover claims and expenses on behalf of Rutgers.

Payment of claims from the Fund related to the Transferred Units totaled $18.1 million in 2012. Contributions to the Fund from the State totaled $10.2 million in 2012. Contributions to the Fund from UMDNJ's affiliates associated with the Transferred Units totaled $5.2 million in 2012, and are included in nonoperating revenues.

Net assets in the Fund amounted to ($4.3 million) as of June 30, 2012.

LITIGATION MATTERS

UMDNJ is a party in various legal proceedings arising in the ordinary course of its operations. In the opinion of UMDNJ management, UMDNJ has adequate insurance to cover the estimated potential liability for damages in those cases, or, to the extent such liability is not covered by insurance, any adverse decision would not have a material adverse effect on UMDNJ's financial position, results of operations, or cash flows.

In connection with the settlement of two cases that initially resulted in a Deferred Prosecution Agreement with the United States Attorney for the District of New Jersey, UMDNJ entered into a five-year Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the federal Department of Health and Human Services in September 2009. Under the terms of the CIA, UMDNJ agreed to adhere to requirements that will ensure regulatory and legal compliance with all federal healthcare programs. Related liabilities have been estimated and recorded within UMDNJ's 2012 and 2011 financial statements, respectively. See "APPENDIX B-2 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY) AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011" in this Official Statement.

From time to time, UMDNJ becomes aware of federal and/or State inquires and investigations and may receive subpoenas and other requests for information. UMDNJ cooperates with the agencies and provides the information and data requested. Although the ultimate outcome of any such inquires may be unknown at this time, UMDNJ management believes they will not have a material effect on UMDNJ's financial position, operating results or cash flows.

ENROLLMENT

Rutgers maintains a state, national and global reach in terms of enrollment, attracting competitive applicants from 50 states and over 140 foreign countries. Three main campuses comprise the University: New Brunswick, Newark and Camden. UMDNJ is the State's university of health sciences. Campuses assumed by Rutgers include: Newark, Scotch Plains, New Brunswick and Piscataway. Enrollment at Rutgers and UMDNJ for the past five academic years is shown in the table on the next page.

Combined Rutgers and Transferred Units Enrollment Information

	Enrollment					
	Rutgers		UMDNJ Transferred Units		Combined	
Year	**Total**	**FTE***	**Total**	**FTE***	**Total**	**FTE***
2008-09	52,471	45,224	5,419	4,323	57,890	49,547
2009-10	54,645	47,460	5,542	4,399	60,187	51,859
2010-11	56,868	49,675	6,231	4,814	63,099	54,489
2011-12	58,182	51,161	6,563	5,066	64,745	56,227
2012-13	58,788	51,763	6,284	4,781	65,072	56,544

* Full-Time Student Equivalent.

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FINANCIAL INFORMATION

On July 1, 2013, in connection with the integration of Rutgers and UMDNJ, Rutgers will defease \$487.5 million of UMDNJ Indebtedness from the proceeds of a portion of the 2013 Series J Bonds and the 2013 Series K Bonds, and will assume approximately \$15.3 million of UMDNJ Indebtedness associated with the Transferred Units.

Also on July 1, 2013, in connection with the integration of Rowan and the UMDNJ School of Osteopathic Medicine in Stratford, Rowan will defease \$53.1 million of UMDNJ Indebtedness and will assume approximately \$2.3 million of UMDNJ Indebtedness associated with the UMDNJ School of Osteopathic Medicine. In connection with the transfers to Rowan and Rutgers referred to in the immediately preceding sentence and paragraph, respectively, on July 1, 2013, University Hospital will continue to exist as a body corporate and politic, will be established as an instrumentality of the State, and will defease \$77.3 million of UMDNJ Indebtedness and will assume approximately \$0.7 million of UMDNJ Indebtedness associated with University Hospital. The defeasance and assumption of the UMDNJ Indebtedness by Rowan and University Hospital is a condition to the effectiveness of the Restructuring Act and the defeasance and assumption of the UMDNJ indebtedness of the Transferred Units by Rutgers on July 1, 2013.

The University, Rowan, University Hospital and the State of New Jersey are proceeding in good faith to finalize the allocation of assets, liabilities, revenues and expenses among the various parties associated with the Restructuring Act. No assurances can be made as to how the State will allocate future appropriations among the University, Rowan and University Hospital.

The following unaudited schedules were prepared by management of the University as if the integration of the entities occurred as contemplated in the Restructuring Act as of June 30, 2012. The columns indicated as “Rutgers,” were derived from the financial statements of the University included in “APPENDIX B-1 – AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011.” The column indicated as “UMDNJ Transferred Units Unaudited” is taken from the schedules appearing in “APPENDIX A-2 –INFORMATION CONCERNING THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY)” and are unaudited. The column indicated as “Combined” represents the sum of all columns included in the schedules and is unaudited information.

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Unaudited Combining Schedule of Net Assets, as adjusted, of the University and UMDNJ
as of June 30, 2012
($000)

No activity, if any, between Rutgers and the units transferred from UMDNJ have been eliminated in the combined schedule below.

	RUTGERS	UMDNJ TRANSFERRED UNITS (UNAUDITED)	COMBINED
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 114,428	$ 183,560	$ 297,988
Cash and Cash Equivalents - Restricted	119,103	-	119,103
Claim on Cash	-	(10,752)	(10,752)
Short-term Investments	328,659	96	328,755
Short-term Investments - Restricted	2,079	-	2,079
Accounts Receivable - net	127,992	26,613	154,605
Student Notes Receivable, net	4,740	-	4,740
Other Receivables	-	98,751	98,751
Grants Receivable	-	57,409	57,409
Contributions Receivable - net	23,210	-	23,210
Due from Other Funds[1]	-	86,161	86,161
Inventories and Other Assets	4,012	3,372	7,384
Prepaid Expenses	14,143	-	14,143
Assets Held by Trustees-current portion	-	16,464	16,464
Total current assets	738,366	461,674	1,200,040
Noncurrent assets			
Cash and Cash Equivalents	58,307	-	58,307
Cash and Cash Equivalents - Restricted	121,741	-	121,741
Long-term Investments	232,686	-	232,686
Long-term Investments - Restricted	610,955	-	610,955
Investments held by Trustees - Restricted	38,407	-	38,407
Endowment Investments	-	20,648	20,648
Other Long-term Investments	-	473	473
Loan to Students	-	29,197	29,197
Deferred Financing Costs and other	-	11,693	11,693
Accounts Receivable - net	41,886	-	41,886
Student Notes Receivable - net	32,956	-	32,956
Contributions Receivable - net	23,896	-	23,896
Bond/Commercial Paper Issuance Costs - net	16,229	-	16,229
Assets Held by Trustees	-	46,855	46,855
Capital Assets - net	2,218,288	634,920	2,853,208
Total noncurrent assets	3,395,351	743,786	4,139,137
TOTAL ASSETS	4,133,717	1,205,460	5,339,177
Deferred outflows			
Interest Rate Swaps	44,689	-	44,689
Total deferred outflows	$ 44,689	$ -	$ 44,689

LIABILITIES			
Current Liabilities			
Accounts Payable & Accrued Expenses	167,620	128,693	296,313
Payroll Withholdings	11,948	-	11,948
Other Payables	1,886	-	1,886
Restricted Annuities payable	921	-	921
Commercial Paper	81,505	-	81,505
Estimated Third Party payors - current	-	120	120
Accrued Vacation	-	32,054	32,054
Deferred Revenues	61,991	58,410	120,401
Long-Term Debt & CLO-current	40,818	14,850	55,668
Total current liabilities	366,689	234,127	600,816
Noncurrent liabilities			
Accounts Payable & Accrued Expenses	28,492	-	28,492
Accrued Claims Liability allocation	-	11,325	11,325
Restricted Annuities payable	5,226	-	5,226
Derivative Instruments	44,689	-	44,689
Long-Term Debt & CLO	1,042,169	496,783	1,538,952
Total noncurrent liabilities	1,120,576	508,108	1,628,684
TOTAL LIABILITIES	1,487,265	742,235	2,229,500
NET ASSETS			
Invested in capital, net of related debt	1,201,661	192,481	1,394,142
Restricted expendable	446,126	159,537	605,663
Restricted nonexpendable	374,811	63,452	438,263
Unrestricted	668,543	47,755	716,298
TOTAL NET ASSETS	$ 2,691,141	$ 463,225	$ 3,154,366

(1) Note that the amounts due from other funds have not been assessed for collectability as amounts eliminated in consolidation of the UMDNJ Unaudited Consolidating Schedule of Net Assets. Accordingly, the $86,161 may not be paid upon the transfer of assets to Rutgers.

Unaudited Combining Schedule of Revenues, Expenses and Changes in Net Assets, as adjusted, of the University and UMDNJ

For year ended June 30, 2012

($000)

	RUTGERS		UMDNJ TRANSFERRED UNITS (UNAUDITED)	COMBINED
Operating revenues				
Tuition & Fees, net	$ 645,328		$ 104,492	$ 749,820
Government Grants & Contracts	247,532	[a]	210,166	457,698
State & Municipal Grants & Contracts	50,695		-	50,695
Private Grants & Contracts	67,801	[b]	61,411	129,212
Net Patient Service Revenues	-		44,262	44,262
Professional Services & Contracts	-		348,503	348,503
Auxiliary Sales & Services	260,104		16,410	276,514
Other operating revenues	61,760		38,152	99,912
Total operating revenues	1,333,220		823,396	2,156,616
Operating expenses				
Instruction	686,444		159,437	845,881
Research	221,980		164,568	386,548
Other Separately Budgeted Research	74,255		-	74,255
Other Sponsored Programs	88,827		-	88,827
Public Service	39,286		92,318	131,604
Libraries	39,464		-	39,464
Student Services	86,156		-	86,156
Academics and Student Support	-		25,636	25,636
General Administration and Institutional	123,215		94,143	217,358
Scholarships and Fellowships	45,657		-	45,657
Patient Care Services	-		126,116	126,116
Professional Services and Contracts	-		319,837	319,837
Operation and Maintenance of Plant	139,368		43,295	182,663
Interfund Transfers	-		(16,241)	(16,241)
Depreciation	104,393		44,928	149,321
Insurance	-		6,452	6,452
Auxiliary Enterprise & Other	244,917		14,204	259,121
Total operating expenses	1,893,962		1,074,693	2,968,655
Operating Loss	(560,742)		(251,297)	(812,039)
Nonoperating revenues (expenses)				
State Appropriations- operations	262,360		170,739	433,099
Fringe Benefits paid by State	166,967		108,531	275,498
Federal Appropriations	8,504		-	8,504
Federal Student Aid	73,249		-	73,249
State Student Aid	86,761		-	86,761
Contributions	26,927		-	26,927
Investment Income	17,019		1,614	18,633
Net (Decrease) Increase in Fair Value of Investments	(12,660)		131	(12,529)
Interest on Capital Asset Related Debt	(41,575)		(31,454)	(73,029)
Loss on Disposal of Capital Assets	(740)		-	(740)
Other nonoperating	5,414		(1,759)	3,655
Total nonoperating revenues, net	592,226		247,802	840,028

Other Revenues			
Capital Grants & Gifts	7,607	4,826	12,433
Additions to Permanent Endowments	15,281	-	15,281
Increase in net assets	$ 54,372	$ 1,331	$ 55,703

[a] Federal Grants & Contracts shown
[b] Non-governmental Grants & Contracts shown

Note that the allocation of State appropriations shown in the table above may not reflect future allocations of such appropriations among the entities. No assurance can be made that appropriations for Fiscal Year 2014 and future fiscal years will reflect the existing allocations of State funds or the amount of appropriations in general from the State.

APPENDIX B-1

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS OF RUTGERS, THE STATE UNIVERSITY

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RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

Financial Report
2011-2012

Governors and Trustees
During the Year Ended June 30, 2012

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

RUTGERS

SENIOR VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

November 7, 2012

President Robert L. Barchi
The Board of Governors
The Board of Trustees
of Rutgers, The State University of New Jersey

I am pleased to submit the Annual Financial Report of Rutgers, The State University of New Jersey for the year ended June 30, 2012. The report contains the KPMG LLP Independent Auditors' Report on the University's financial statements. The financial information presented in this report is designed to assist the reader in comprehending the scope of the University's use of resources in meeting its primary missions of instruction, research and public service.

The report sets forth the complete and permanent record of the financial status of the University for the year.

Respectfully submitted,

Bruce C. Fehn

Bruce C. Fehn
Senior Vice President for Finance
and Administration

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KPMG LLP
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301 Carnegie Center
Princeton, NJ 08540-6227

INDEPENDENT AUDITORS' REPORT

The Board of Governors
The Board of Trustees
Rutgers, The State University of New Jersey:

We have audited the accompanying statements of net assets of Rutgers, The State University of New Jersey (the University), a component unit of the State of New Jersey, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutgers, The State University of New Jersey as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

November 7, 2012

Management's Discussion and Analysis

June 30, 2012 and 2011

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Rutgers, the State University of New Jersey (the university) at June 30, 2012 and 2011, and its changes in financial position for the fiscal years then ended with fiscal year 2010 data presented for comparative purposes. Management has prepared the basic financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for public colleges and universities. This MD&A should be read in conjunction with the audited financial statements and related footnotes of the university, which directly follow the MD&A.

The university's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements focus on the financial condition of the university, the changes in financial position, and cash flows of the university as a whole rather than the accountability of funds.

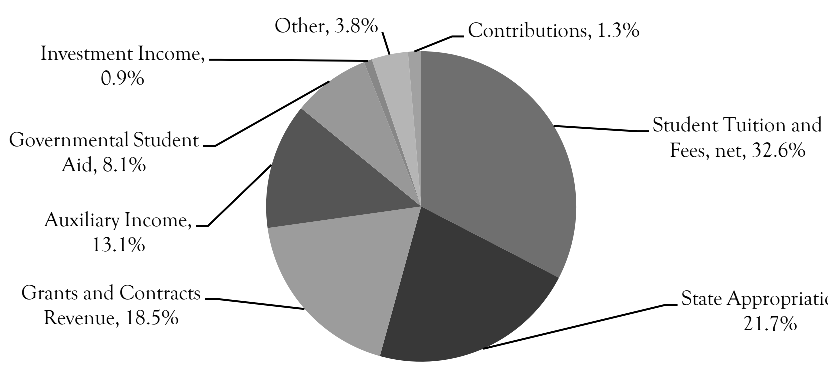
In fiscal 2012, the financial reporting entity of Rutgers included 28 degree granting schools, of which 18 offered graduate programs of study. These schools are located on three regional campuses in New Brunswick (Piscataway), Newark and Camden. The financial statements also include the financial activity of the Rutgers University Foundation, and the units of the New Market Tax Credit (NMTC) Transaction (One Washington Park), which include One Washington Park Capital, LLC, RUN Investments, LLC, and One Washington Park Holdings, LLC. The foundation was formed to aid the university in obtaining private funds and other resources to meet the needs and achieve the goals of the university. The One Washington Park units provide financing services to the university classifying it as a component unit.

Financial Highlights

The university's financial condition at June 30, 2012 remained stable with net assets increasing by 2.1% or $54.4 million. Total operating revenues increased by $81.9 million or 6.5% with increases of 5.1% in net student tuition and fees, 9.6% in grant and contract revenue, and 8.4% in auxiliary revenues. Operating expenses increased 7.2% in 2012 while net nonoperating revenues decreased 15.2% primarily as a result of decreases in the fair value of investments.

As the State University of New Jersey, the appropriation from the State represents a vital part of the university's funding. In fiscal 2012, the State maintained the base appropriation constant; however, the loss of the one-time Maintenance of Effort funds of $10.4 million received in fiscal 2011 and funding for the Clinical Legal Programs for the poor of $400,000 resulted in a decrease of $10.8 million or 4% in direct state appropriations. The decrease in State funding has been offset by tuition increases coupled with strong enrollment demand, and an emphasis on increasing revenues from other sources. Tuition revenue is another significant source of funding for the university. In fiscal 2012, in addition to an increase in tuition rates averaging 2.3%, enrollment was at our highest with 58,182 students.

As presented in the chart below, net student tuition and fees, state appropriation and grant and contract revenue are the three primary sources of revenue for the university.



RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

Statement of Net Assets

The Statement of Net Assets presents the financial position of the university at the end of the fiscal year and includes all assets (current and noncurrent), liabilities (current and noncurrent) and net assets (the difference between total assets, deferred outflows, total liabilities, and deferred inflows) of the university. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the statement of net assets. Net assets is one indicator of the financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the university's assets, liabilities, deferred outflows, deferred inflows, and net assets at June 30, 2012, 2011, and 2010 is as follows (dollars in thousands):

	2012	2011	2010
Assets			
Current assets	$738,366	$677,211	$694,576
Noncurrent assets			
Endowment, restricted and other noncurrent cash and investments	1,062,096	1,275,569	815,059
Capital assets, net	2,218,288	2,014,777	1,873,145
Other assets	114,967	112,714	92,026
Total Assets	4,133,717	4,080,271	3,474,806
Deferred Outflows	44,689	10,988	18,664
Liabilities			
Current liabilities	366,689	331,032	294,895
Noncurrent liabilities	1,120,576	1,123,437	771,975
Total Liabilities	1,487,265	1,454,469	1,066,870
Deferred Inflows		21	
Net Assets			
Invested in capital assets, net of debt	1,201,661	1,126,302	1,103,033
Restricted - nonexpendable	374,811	373,633	313,804
Restricted - expendable	446,126	453,428	427,350
Unrestricted	668,543	683,406	582,413
Total Net Assets	$2,691,141	$2,636,769	$2,426,600

Current Assets and Current Liabilities

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables and pledges due within a year, inventories and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than a year as well as cash and cash equivalents and investments that are restricted by donors or external parties as to their use. Receivables and pledges deemed to be collectible in more than a year are also included as noncurrent. Current assets increased $61.2 million in 2012 as opposed to a $17.4 million decrease in 2011.

Deferred outflows increased $33.7 million primarily due to a $31.4 million change in the valuation of the Merrill Lynch swap from a positive swap position in 2011 to a negative swap position in 2012.

Current liabilities include all liabilities that are payable within the next fiscal year. Deferred revenues, principally from summer programs, are also presented as current liabilities. Liabilities that are due to be paid beyond the next fiscal year are reported as noncurrent liabilities.

Current liabilities increased $35.7 million in 2012 primarily as a result of the issuance of commercial paper in the amount of $27.0 million for the Camden Housing project. Current liabilities increased $36.1 million in 2011 primarily as a result of the issuance of commercial paper in the amount of $16.0 million for the Gateway Project.

The university's current assets cover current liabilities by a factor of 2.0 times, an indicator of good liquidity and the ability to bear short term demands on working capital. This coverage in 2011 was also 2.0 times. The university's current assets also cover five months of its total operating expenses, excluding depreciation.

Endowment and Other Investments

The primary financial objective of the investment management of the Endowment is to preserve and, hopefully, enhance its real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings for current use. The long term investment goal of the Endowment is to attain a total return of at least 4.5% plus inflation, fees, and costs. The investment objectives of the Endowment are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. A major portion of the university's endowment is maintained in the long term investment pool managed by the university's Joint Investment Committee. The total annual return for the long-term investment pool was (0.5)% in 2012 and 18.3% in 2011. The average annual return over the 5 year period ending June 30, 2012 and 2011 was 1.7% and 5.2%, respectively.

The university distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is based on total return, not just cash earnings. The total distribution for the endowment was $24.6 million in 2012 and $23.7 million in 2011.

The university's endowments consist of permanent (true), term and quasi endowments. Permanent or true endowments are funds received from donors stipulating that the principal gift remain inviolate and be invested in perpetuity with the income generated from the investment to be expended for a specific purpose as designated by the donor. These permanent endowments increased $1.2 million to $374.8 million for 2012 from $373.6 in 2011. Term endowments are those funds received from donors that function as endowment until a specified event occurs. The university's term endowments decreased by $1.6 million to $42.7 million in 2012 from $44.3 million in 2011. Quasi endowments consist of restricted gifts and unrestricted funds that have been designated by the university for long-term investment purposes and therefore act as endowments. The university's quasi endowments decreased by $4.3 million in 2012 to $225.5 million from $229.8 million in 2011.

From a net assets perspective, earnings from the endowment, while expendable, are mostly restricted in use by the donors. It is important to note that of the university's endowment funds, only $113.4 million or 17.6% ($113.5 million or 17.5% in 2011), can be classified as unrestricted net assets. From this unrestricted endowment, a significant portion of the income is internally designated by the university for scholarships, fellowships, professorships, and research efforts.

Capital Assets and Debt Activities

As a result of increasing student demand and the university's desire to meet such demand with quality academic programs and student life, the university has increased its commitment of resources to infrastructure improvement, construction of new state-of-the-art academic buildings and residential halls, as well as technology enhancement initiatives. The university administration, together with faculty, students and the communities in which each campus is located, is actively developing a strategic and capital development plan for the university which, when completed, will serve as the plan for the university's future development and growth.

Capital assets, net increased $203.5 million in 2012, as compared to $141.6 million in 2011. Capital additions primarily comprise replacement, renovation and new construction of academic and research facilities as well as significant investments in equipment, including information technology. Several major projects completed during 2012 include:

- The completion of the Busch Engineering, Science and Technology (BEST) dormitory providing 500 double occupancy beds.
- The completion of the Center for Integrative Proteomics Technologies to provide a shared instrumentation resource and proteomics research facility, including the Protein Data Bank.
- The completion of a new substation on the Livingston campus.

These additions were funded primarily with the proceeds of bonds. At June 30, 2012, the university had various projects under construction or in the design stage. Significant projects include:

- Construction of new student housing on the Livingston Campus of mixed use housing consisting of 2 and 4 bedroom apartments while also providing retail space required by college students.
- A new 12 story residential tower with apartment style living units configured with three and four single occupancy bedrooms housing 350 students on the Camden Campus.
- Construction of a new facility at the gateway to the Livingston Campus for the School of Business to include classrooms, instructional labs, meeting rooms, offices and a trading floor.

On June 15, 2006, the Board of Governors and Board of Trustees of the university approved a comprehensive debt policy for the university to provide an internal strategic framework for capital planning and overall debt management. In 2008, the Board of Governors and the Board of Trustees of the university approved a commercial paper program. The commercial paper program is being used for the interim financing of capital projects and temporary funding of outstanding debt issues.

During fiscal year 2012, the university issued General Obligation Commercial Paper Series B for $27.0 million. This issuance was to provide interim financing for the Camden Housing Project.

In 2011, the university issued General Obligation Bonds 2010 Series H and General Obligation Refunding Bonds 2010 Series I in the amounts of $391.0 million and $40.8 million, respectively. Series H was issued to finance several capital projects including Livingston and Busch Campus housing. Series I was issued to fully refinance 1998 Series A and partially refinance 2002 Series B, 2003 Series C, and 2003 Series D.

Net Assets

Net Assets represent the residual interest in the university's assets and deferred outflows of resources after the deduction of its liabilities and deferred inflows of resources. The change in net assets measures whether the overall financial condition has improved or deteriorated during the year. Net assets consist of three major categories; invested in capital assets (net of related debt), restricted net assets (nonexpendable and expendable), and unrestricted net assets. Net assets increased by $54.4 million in 2012. In 2011, net assets increased $210.2 million.

The first category, net assets invested in capital assets, net of related debt, represents the university's capital assets of land, buildings and equipment net of accumulated depreciation and net of outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The increase of $75.4 million in 2012 is primarily attributable to principal payments of $40.8 million made on debt issued to finance capital projects. It also includes expenditures on capital projects not financed by debt including the installation of solar panels over a parking lot on the Livingston campus, preliminary expenditures for the new business school at Livingston, and the addition of a performing arts wing at the Mason Gross School of the Arts. These additions were offset by the annual depreciation of $104.4 million. In 2011, there was an increase of $23.3 million in this category.

The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net assets are those resources that have been set aside and invested as required by the provider of the resources. These funds are not available for expenditures, but rather must be invested in perpetuity with the earnings on those investments to be used as specified by the external donor at the time the resources are received. Nonexpendable net assets increased by $1.2 million in 2012. In 2011, nonexpendable net assets increased by $59.8 million.

Expendable restricted net assets are available for expenditure by the university but must be spent for purposes as specified by external donors. The decrease of $7.3 million in 2012 is attributable to the use of gifts received for the construction of the new Business School on the Livingston Campus and the use of the Camden County Improvement Authority grant for the construction of a new dormitory on the Camden Campus. In 2011, there was an increase of $26.1 million in expendable restricted net assets.

The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose. Substantially all of the university's unrestricted net assets have been designated by the governing boards or management to support specific programs such as student activities, research projects, continuing education and summer programs, agricultural experiment station activities, junior year abroad programs, auxiliary enterprises and other self-supporting organized activities relating to educational departments as well as capital projects. Many of these designations result from the funds being earned through special purpose fees charged for the specific purposes. The university, therefore, has an obligation to its students to maintain these funds for the purposes that they were received. The decrease in unrestricted net assets in 2012 was $14.9 million. In 2011, unrestricted net assets increased $101.0 million.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as either operating, nonoperating, or other. Revenues received and expenses incurred as a result of the university providing goods and services to its customers are considered operating. Nonoperating revenues are those received for which goods and services are not directly provided. The financial reporting model classifies state appropriations and gifts as nonoperating revenues. The operating deficit demonstrates the university's dependency on state support and gifts. In addition, appropriations, grants and gifts received by the university, specifically for capital expenditures as well as gifts received from donors as endowments, are reported as other revenues.

A summarized comparison of the university's revenues, expenses, and changes in net assets for the years ended June 30, 2012, 2011, and 2010 is as follows (dollars in thousands):

	2012	2011	2010
Operating revenues			
Student tuition and fees (net of scholarship allowance)	$645,328	$614,003	$549,293
Grants and contracts	366,028	334,098	319,469
Auxiliary enterprises (net of scholarship allowance)	260,104	239,890	229,169
Other operating revenues	61,760	63,289	68,431
Total operating revenues	1,333,220	1,251,280	1,166,362
Operating expenses	1,893,962	1,766,218	1,737,385
Operating loss	(560,742)	(514,938)	(571,023)
Nonoperating revenues (expenses)			
State appropriations (including fringe benefits paid directly by the state)	429,327	438,156	444,009
Contributions	26,927	31,957	30,695
Endowment and investment income	17,019	15,540	22,550
Net (decrease)/increase in fair value of marketable investments	(12,660)	85,497	39,274
Governmental Student Aid	160,010	152,681	157,181
Interest on capital asset related debt	(41,575)	(36,135)	(37,602)
Net other nonoperating revenues	13,178	10,781	10,384
Net nonoperating revenues	592,226	698,477	666,491
Income before other revenues	31,484	183,539	95,468
Other revenues	22,888	26,630	22,017
Increase in net assets	54,372	210,169	117,485
Net assets at beginning of year	2,636,769	2,426,600	2,309,115
Net assets at end of year	$2,691,141	$2,636,769	$2,426,600

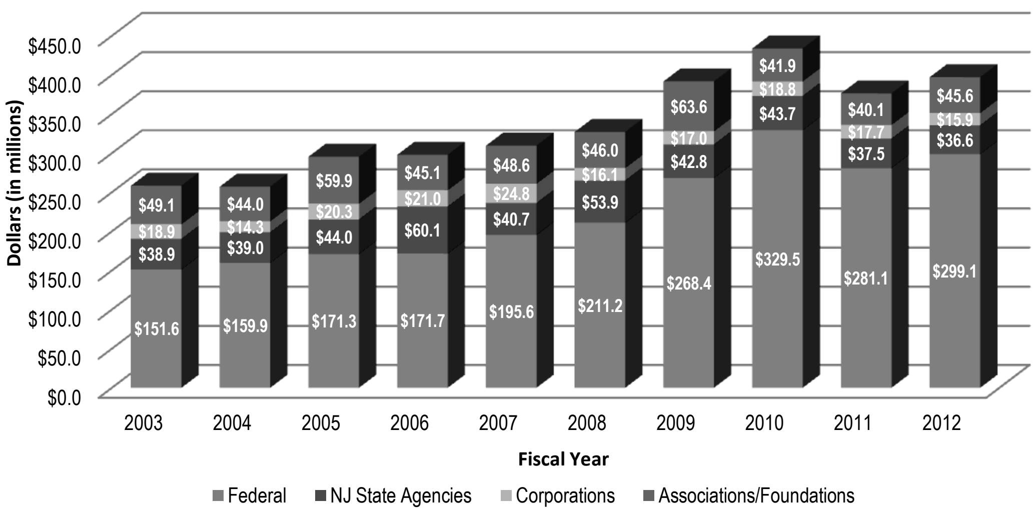
Operating revenues increased $81.9 million in 2012, and $84.9 million in 2011. Significant components of operating revenues include the following:

Student tuition and fees, net of scholarship allowances are the largest component of operating revenues. Tuition and fees are reflected net of scholarship allowances, which represent scholarships and fellowships applied to student accounts for tuition and residence fees. These scholarships and fellowships are funded through federal and state grant programs and gifts raised by the university. The university provided $206.8 million of a total $252.5 million of student aid directly to student accounts. The remaining $45.7 million was paid to students and is reflected as scholarships and fellowships expense. Scholarship allowances allocated to tuition and fees amounted to $169.3 million. Another $37.5 million was allocated to residence fees, which are included in auxiliary revenues. Tuition and fees, net of scholarship allowances, increased $31.3 million in 2012. The increase resulted primarily from an increase in tuition rates of 2.3% for undergraduates and graduate students, as well as an average increase of 2.6% in student fees. Also, full time enrollment increased by 3.0% while part time enrollment decreased by 1.7%. In 2011, tuition and fees net of scholarship allowances, increased $64.7 million. The increase in 2011 resulted from a 4.2% increase in tuition rates for undergraduates and graduate students, as well as an average increase of 18.2% in student fees. In 2011, full time enrollment also increased by 4.6% while part time enrollment decreased by 1.1%.

Grants and Contracts includes revenues for sponsored programs from federal, state and nongovernmental grants and contracts that normally provide for the recovery of direct and indirect costs, or expenses. In 2012, grants and contracts revenue increased $31.9 million. In 2011, grants and contracts revenue increased by $14.6 million.

The following table summarizes the research awards received by the university over the last 10 years. This table reflects awards made to the university in the year awarded. Revenue is only recorded as funds are expended on the grant. This table shows an increase in grants awarded to the university in 2012. This was primarily due to an increase in awards from federal agencies in 2012.

Research, Education and Public Service Grants
Fiscal Years 2003-2012



In 2012, Federal grants increased $27.8 million. These grants include support received from the National Institute of Mental Health in the amount of $4.2 million for the Division of Life Sciences' Cell and DNA Repository. Also, the Institute for Health received funding of $1.5 million on several awards from the Agency for Healthcare Research and Quality. In 2011, Federal grants increased $11.6 million.

In 2012, State grants increased by $5.0 million. A grant from the NJ Department of Children and Families provided $2.9 million to the School of Social Work in 2012. In 2011, State grants decreased by $3.8 million.

Finally, in 2012, nongovernmental grants and contracts decreased $0.8 million. This reduction is primarily attributable to the winding down of expenditures on sub awards received from other institutions through the American Reinvestment and Recovery Act of 2009. In 2011, nongovernmental grants increased $6.9 million.

Auxiliary enterprise revenues include revenues from the university's housing and dining facilities, as well as other business type activities such as the bookstore and the golf course that provide support to the university's primary missions of education, research and public service. Auxiliary revenues, net of scholarship allowances, increased in 2012 by $20.2 million while expenditures increased by $27.2 million. Revenues increased partially as a result of an increase in Housing and Dining rates and due to an increase in occupancy and meal purchases. In September of 2011, the Busch Engineering, Science and Technology dormitory was opened providing an additional 500 beds. The new Livingston Dining Hall also opened, doubling the number of meals provided by the former Tillet dining facility. Expenses increased as a result of salary increases and as a result of new positions. Positions were added for the new dining hall on the Livingston Campus, as well as some additional positions in student health and counseling. In 2011, auxiliary revenues, net of scholarship allowances, increased by $10.7 million while expenditures increased by $1.4 million. Auxiliary revenues increased as a result of an increase in housing and dining rates of 5.4% and an increase in occupancy and meal plans purchased.

Operating expenses increased $127.7 million in 2012, an increase of 7.2%. Operating expenses are reported by functional classification in the Statement of Revenue, Expenses, and Changes in Net Assets and by natural classification in the notes to the financial statements (See Note 12). The following tables summarize the university's operating expenses by functional and natural classification.

Operating Expenses by Functional Classification
(dollars in thousands)

	2012	2011	Increase (Decrease)	% Change
Instruction	$686,444	$648,102	$38,342	5.92%
Sponsored Research	221,980	213,850	8,130	3.80%
Other Separately Budgeted Research	74,255	68,854	5,401	7.84%
Other Sponsored Programs	88,827	88,056	771	0.88%
Extension and Public Service	39,286	36,440	2,846	7.81%
Libraries	39,464	37,065	2,399	6.47%
Student Services	86,156	70,821	15,335	21.65%
Operation and Maintenance of Plant	139,368	141,244	(1,876)	(1.33%)
General Administrative and Institutional	123,215	106,743	16,472	15.43%
Scholarships and Fellowships	45,657	43,537	2,120	4.87%
Depreciation	104,393	93,733	10,660	11.37%
Auxiliary Enterprises	243,007	215,821	27,186	12.60%
Other Operating Expenses	1,910	1,952	(42)	(2.15%)
Total Operating Expenses	$1,893,962	$1,766,218	$127,744	7.23%

Operating Expenses by Natural Classification
(dollars in thousands)

	2012	2011	Increase (Decrease)	% Change
Salaries and Wages	$957,623	$904,485	$53,138	5.87%
Fringe Benefits	250,316	235,821	14,495	6.15%
Supplies and Services	581,630	532,179	49,451	9.29%
Depreciation	104,393	93,733	10,660	11.37%
Total Operating Expenses	$1,893,962	$1,766,218	$127,744	7.23%

The natural classification of expenses demonstrates that the major expenditure of the university is salaries and wages accounting for more than 50% of total operating expenses. Negotiated salary increases were implemented this year resulting in the increase in this category. The functional chart shows additional increases occurring in student services as a result of a restructuring of the student health insurance to comply with new health regulations. This cost is offset by fees charged to those students participating in the program to cover the full cost of the coverage. General administrative and institutional expenses also increased as a result of expenditures to improve wireless service in several dormitories and the conversion of telephone service to Voice Over Internet Protocol (VOIP).

State appropriations, including fringe benefits paid directly by the State, decreased $8.8 million in 2012. The university's base appropriation was reduced by $0.4 million with the elimination of funding for the legal clinics for the poor in Newark and Camden. The university also had received $10.4 million in maintenance of effort funds in 2011 that was not continued in 2012. This resulted in a total reduction of $10.8 million. Fringe benefits paid directly by the State increased $2.0 million in 2012. In 2011, total State appropriations, including fringe benefits paid directly by the State, decreased $5.9 million.

Governmental Student Aid increased $7.3 million in 2012. Federal Aid to students increased $2.0 million in 2012 primarily as a result of an increase of 1,216 students receiving these awards. State Aid to students increased $5.3 million as a result of 1,862 additional students receiving these awards in 2012. Governmental Student Aid decreased $4.5 million in 2011.

Contributions decreased $5.0 million in 2012. Contributions have been impacted by the continuing difficult economic conditions this year. Contributions increased $1.3 million in 2011.

Net increase/(decrease) in fair value of investments decreased $98.2 million in 2012 due to a downturn in the market in the second quarter of 2012 resulting in unrealized losses recorded to report investments at fair market value at the end of the year. Net increase/(decrease) in fair value of investments increased $46.2 million in 2011.

Other revenues and expenses consist of grants and gifts received by the university for capital projects, as well as additions to permanent endowments. In 2012, this category decreased $3.7 million. This category increased in 2011 by $4.6 million.

Economic Factors that will affect the future

As a result of continuing economic issues faced by the State, the base appropriation to the university for 2013 has increased slightly in 2012 with the restoration of funding in the amount of $400,000 for legal clinics in Newark and Camden that had been cut in 2012. Tuition and fees for fiscal year 2012-2013 were increased 2.5% for its state resident students and 4% for nonresident students. During these difficult financial times, the university continues to attract high quality students. In fact, enrollment continues to increase with a total of over 58,788 students enrolled for the fall 2012 semester.

The university also continues to diversify its resources with gifts, grants and investment income. The university foundation is in the middle of a $1.0 billion campaign to help meet the university's most pressing academic and financial needs. Funds raised through this campaign will be used to support academic initiatives and student services. The campaign also has a goal of doubling the university's permanent endowment to ensure that permanent resources will be available to meet the needs of our students and faculty for the future. The foundation has already raised $655.9 million towards their goal.

On August 22, 2012, the Governor of New Jersey signed the New Jersey Medical and Health Sciences Education Restructuring Act (Chapter 45, P.L. 2012); which was passed by the New Jersey Senate and Assembly on June 28, 2012. This act integrates all units of the University of Medicine and Dentistry of New Jersey, except University Hospital in Newark and the School of Osteopathic Medicine in Stratford, into Rutgers effective July 1, 2013.

STATEMENTS OF NET ASSETS
June 30, 2012 and 2011
(dollars in thousands)

	2012	2011
ASSETS:		
Current Assets		
Cash and Cash Equivalents	$114,428	$53,827
Cash and Cash Equivalents - Restricted	119,103	131,114
Short-Term Investments	328,659	351,985
Short-Term Investments - Restricted	2,079	2,451
Accounts Receivable, net	127,992	90,751
Student Notes Receivable, net	4,740	7,829
Contributions Receivable, net	23,210	22,028
Inventories	4,012	4,261
Prepaid Expenses	14,143	12,965
Total Current Assets	738,366	677,211
Noncurrent Assets		
Cash and Cash Equivalents	58,307	133,488
Cash and Cash Equivalents - Restricted	121,741	157,987
Long-Term Investments	232,686	211,985
Long-Term Investments - Restricted	610,955	619,989
Investments Held by Trustees - Restricted	38,407	152,120
Accounts Receivable, net	41,886	41,482
Student Notes Receivable, net	32,956	28,902
Contributions Receivable, net	23,896	24,254
Derivative Instruments		21
Bond/Commercial Paper Issuance Costs, net	16,229	18,055
Capital Assets, net	2,218,288	2,014,777
Total Noncurrent Assets	3,395,351	3,403,060
TOTAL ASSETS	4,133,717	4,080,271
DEFERRED OUTFLOWS:		
Interest Rate Swaps	44,689	10,988
TOTAL DEFERRED OUTFLOWS	44,689	10,988
LIABILITIES:		
Current Liabilities		
Accounts Payable and Accrued Expenses	167,620	159,512
Deferred Revenue	61,991	59,586
Payroll Withholdings	11,948	11,288
Other Payables	1,886	1,875
Restricted Annuities Payable	921	901
Commercial Paper	81,505	58,695
Long-Term Liabilities	40,818	39,175
Total Current Liabilities	366,689	331,032
Noncurrent Liabilities		
Accounts Payable and Accrued Expenses	28,492	24,081
Restricted Annuities Payable	5,226	5,050
Derivative Instruments	44,689	10,988
Long-Term Liabilities	1,042,169	1,083,318
Total Noncurrent Liabilities	1,120,576	1,123,437
TOTAL LIABILITIES	1,487,265	1,454,469

(Continued)

STATEMENTS OF NET ASSETS
June 30, 2012 and 2011
(dollars in thousands)

	2012	2011
DEFERRED INFLOWS:		
Interest Rate Swaps		21
TOTAL DEFERRED INFLOWS		21
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	1,201,661	1,126,302
Restricted for		
Nonexpendable		
Instruction	174,240	178,185
Scholarships and Fellowships	179,432	174,514
Libraries	7,702	8,038
Other	13,437	12,896
Expendable		
Instruction	145,646	161,319
Research	108,510	96,229
Scholarships and Fellowships	75,937	79,494
Libraries	10,897	11,384
Loans	38,188	38,267
Capital Projects	43,425	47,904
Debt Service Reserve	5,512	5,512
Other	18,011	13,319
Unrestricted	668,543	683,406
TOTAL NET ASSETS	$2,691,141	$2,636,769

See accompanying notes to the financial statements.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2012 and 2011
(dollars in thousands)

	2012	2011
OPERATING REVENUES		
Student Tuition and Fees (net of scholarship allowances of $169,313 in 2012 and $157,326 in 2011)	$645,328	$614,003
Federal Grants & Contracts	247,532	219,780
State & Municipal Grants & Contracts	50,695	45,676
Nongovernmental Grants & Contracts	67,801	68,642
Auxiliary Enterprises (net of scholarship allowances of $37,536 in 2012 and $34,234 in 2011)	260,104	239,890
Other Operating Revenues	61,760	63,289
Total Operating Revenues	1,333,220	1,251,280
OPERATING EXPENSES		
Educational and General		
Instruction	686,444	648,102
Sponsored Research	221,980	213,850
Other Separately Budgeted Research	74,255	68,854
Other Sponsored Programs	88,827	88,056
Extension and Public Service	39,286	36,440
Libraries	39,464	37,065
Student Services	86,156	70,821
Operations and Maintenance of Plant	139,368	141,244
General Administration and Institutional	123,215	106,743
Scholarships and Fellowships	45,657	43,537
Depreciation	104,393	93,733
Auxiliary Enterprises	243,007	215,821
Other Operating Expenses	1,910	1,952
Total Operating Expenses	1,893,962	1,766,218
Operating Loss	(560,742)	(514,938)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	262,360	273,188
State Paid Fringe Benefits	166,967	164,968
Federal Appropriations	8,504	8,510
Federal Student Aid	73,249	71,202
State Student Aid	86,761	81,479
Contributions	26,927	31,957
Endowment and Investment Income (net of investment management fees of $3,299 in 2012 and $2,918 in 2011)	17,019	15,540
Net (Decrease) Increase in Fair Value of Investments	(12,660)	85,497
Interest on Capital Asset Related Debt	(41,575)	(36,135)
Loss on Disposal of Capital Assets	(740)	(87)
Other Nonoperating Revenues	5,414	2,358
Net Nonoperating Revenues	592,226	698,477
Income before Other Revenues	31,484	183,539
Capital Grants and Gifts	7,607	8,077
Additions to Permanent Endowments	15,281	18,553
Increase in Net Assets	54,372	210,169
Net Assets - Beginning of the Year	2,636,769	2,426,600
Net Assets - End of the Year	$2,691,141	$2,636,769

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011
(dollars in thousands)

	2012	2011
Cash Flows from Operating Activities		
Student Tuition and Fees	$724,274	$686,597
Research Grants and Contracts	366,223	355,667
Payments to Employees and for Benefits	(1,008,374)	(946,586)
Payments to Suppliers	(518,380)	(454,654)
Payments for Utilities	(65,749)	(71,919)
Payments for Scholarships and Fellowships	(109,612)	(103,359)
Collection of Loans to Students and Employees	5,563	5,349
Auxiliary Enterprises Receipts:		
Housing	122,521	115,695
Dining	70,924	65,747
Athletics	17,701	16,625
Parking	8,199	8,071
Other	18,802	17,478
Other Receipts	49,277	54,041
Net Cash Used by Operating Activities	(318,631)	(251,248)
Cash Flows from Noncapital Financing Activities		
State Appropriations	262,360	273,188
Federal Appropriations	7,824	9,341
Federal and State Student Aid	157,377	157,580
Contributions for other than Capital Purposes	19,998	29,279
Contributions for Endowment Purposes	18,763	24,095
Net Cash Provided by Noncapital Financing Activities	466,322	493,483
Cash Flows from Financing Activities		
Proceeds from Capital Debt	27,000	477,515
Capital Grants and Gifts Received	6,596	7,712
Purchases of Capital Assets and Construction in Progress	(284,622)	(228,237)
Principal Paid on Capital Debt and Leases	(40,772)	(64,990)
Interest Paid on Capital Debt and Leases	(55,014)	(44,502)
Debt Defeasance		(45,897)
Bond Issuance Costs		(3,582)
Other Receipts	8,880	4,423
Net Cash (Used)/Provided by Financing Activities	(337,932)	102,442
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	1,960,811	3,526,653
Investment Income	14,490	16,648
Purchase of Investments	(1,847,897)	(3,684,793)
Net Cash Provided/(Used) by Investing Activities	127,404	(141,492)
Net (Decrease)/Increase in Cash and Cash Equivalents	(62,837)	203,185
Cash and Cash Equivalents - Beginning of the year	476,416	273,231
Cash and Cash Equivalents - End of the year	$413,579	$476,416

(Continued)

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011
(dollars in thousands)

	2012	2011
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	($560,742)	($514,938)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
State Paid Fringe Benefits	166,967	164,968
Depreciation	104,393	93,733
Payment for Uncollectible Contributions Receivable	1,454	
Adjustment of Actuarial Liability for Annuities Payable	196	(76)
Changes in Assets and Liabilities:		
Receivables, net	(39,856)	(7,234)
Inventories	249	53
Prepaid Expenses	(1,497)	1,019
Accounts Payable and Accrued Expenses	8,979	7,720
Deferred Revenue	2,425	169
Payroll Withholdings	660	2,589
Other Payables	(1,859)	749
Net Cash Used by Operating Activities	($318,631)	($251,248)

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Accounting

The basic financial statements of Rutgers, The State University of New Jersey (the university) have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The university reports as a special purpose government engaged only in business type activities as defined in GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – Public Colleges and Universities.*

GASB Statement No. 34 requires that the financial statements be presented on a comprehensive entity-wide basis, reporting the university as an economic unit.

The accounting policies of the university conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. The university's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The university has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Reporting Entity

The university's financial statements and notes thereto include the financial statements of the Rutgers University Foundation (the foundation) and the units of the New Market Tax Credit (NMTC) Transaction (One Washington Park), which include One Washington Park Capital, LLC, Parkside RUN Investments, LLC, and One Washington Park Holdings, LLC. The foundation was formed to aid the university in obtaining private funds and other resources to meet the needs and achieve the goals of the university. Although the foundation is a legally separate, not-for-profit organization, it exists for the benefit of the university and is considered a component unit of the university. The governing body of the One Washington Park units is primarily the same as that of the university, and it provides financing services to the university classifying it as a component unit. The balances and transactions of the foundation and One Washington Park were blended with those of the university for reporting purposes, in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Copies of the foundation's financial statements can be obtained by writing to the foundation at Rutgers University Foundation, Winants Hall, 7 College Avenue, New Brunswick, NJ 08901. Copies of the financial statements for One Washington Park may be obtained by writing to the Executive Director of Business and Financial Services, 249 University Avenue, Room 306, Newark, NJ 07102-1896.

Under GASB Statement No. 14, as amended by GASB Statement No. 39, the university is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the university's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The university reports as a business type activity, as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Cash and Cash Equivalents

Current cash and cash equivalents, which are both unrestricted and restricted in nature, consist of cash on hand, and all highly liquid investments with an original maturity of three months or less except for those managed as a component of the university's investment portfolio. Noncurrent unrestricted cash and cash equivalents consist of funds that are not externally restricted and are to be used to purchase plant related items not related to capital construction. Noncurrent restricted cash and cash equivalents are externally restricted to maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets, or are related to endowed funds.

Investments

Investments are recorded at fair value in the statements of net assets. The year-to-year change in the fair value of investments is reported in the statements of revenues, expenses, and changes in net assets as net (decrease) increase in fair value of investments.

The fair value of marketable investments is based on the last sale price on the last business day of the fiscal year as quoted by an industry standard pricing service. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued by this pricing service based on market evaluations using standard trade publications and other quote devices. Investments in non-marketable securities are reported in the financial statements based upon net asset values or the equivalent provided by external investment managers which are reviewed and evaluated by the university's management for reasonableness. Investments with a maturity greater than one year and investments externally restricted for endowment purposes and to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net assets.

Funds Held in Trust

Funds held in trust by others or not in the possession of, nor under the control of, the university are not included in the university's accompanying financial statements because they do not meet eligibility requirements for recognition. The market value of such funds aggregated approximately $58.6 million at June 30, 2012 ($60.0 million in 2011). Income derived from such irrevocable trust funds held by others, aggregating approximately $2.1 million in 2012 ($2.1 million in 2011), is reported in the accompanying financial statements as nonoperating revenues.

Inventories

Inventories are stated at lower of cost or market. Cost is determined principally on a first-in, first-out basis.

Bond/Commercial Paper Issuance Costs

The university capitalizes costs incurred in connection with its bond/commercial paper issues and amortizes these costs over the life of the respective obligations.

Capital Assets

Capital assets consist of land, buildings, land improvements and infrastructure, equipment, construction in progress and art collections. Capital assets are recorded at cost at the date of acquisition, or fair market value on the date of gift if donated, and are shown net of accumulated depreciation. Depreciation on buildings, land improvements and infrastructure, and equipment is calculated using the straight-line method over the assets' estimated useful lives, ranging from 5 to 50 years. Library books totaling approximately 5.5 million (5.5 million in 2011) volumes have not been capitalized. The capitalization threshold is $5,000 and above. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized at the fair market value of the item at the time of acquisition.

Deferred Revenue

Deferred revenue includes summer session activity which will be recognized as revenue and expense in the following fiscal year.

Net Assets

Net assets is the difference between the university's assets and deferred outflows, and its liabilities and deferred inflows. GASB Statement No. 34 requires that these resources be classified for accounting and reporting purposes into four categories as follows:

Invested in capital assets, net of related debt represents the university's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net assets – nonexpendable consist of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing income, which may either be expended or added to principal.

Restricted net assets – expendable includes all resources for which the university is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties as well as Perkins loans and U.S. government grants refundable.

Unrestricted net assets represent resources available to the university for educational and general operations and spendable endowment income. These resources are derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises and several academic programs, such as summer session and continuing education, are substantially self-supporting activities that provide services for students, faculty and staff.

Under the university's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarship allowances applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred.

Grants and contracts revenue is comprised mainly of funds received from grants from federal, State of New Jersey and municipal and other nongovernmental sources and is recognized when all eligibility requirements for revenue recognition are met, which is generally the period in which the related expenses are incurred.

Revenue from State appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the university. The university is fiscally dependent upon these appropriations.

Contributions, including pledges other than endowment, are recognized as revenues when all eligibility requirements are met, which is generally in the period donated. Additions to permanent endowments are recognized upon receipt. Endowment and investment income is recognized in the period earned.

Classification of Revenue

The university's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that serve the university's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, net of scholarship allowances, and (3) most federal, state and municipal and other nongovernmental grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, student aid, endowment and investment income and contributions. Interest on capital asset related debt is reported as nonoperating expenses.

Scholarships and Fellowships

Scholarships, fellowships or stipends include payments made directly to students in the form of student aid. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance and is deducted from the university's revenues. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

The university received $67.5 million during the year ended June 30, 2012 ($60.1 million in 2011) from the Pell program, and $74.5 million during the year ended June 30, 2012 ($68.2 million in 2011) from Tuition Aid Grants, the largest state student aid program.

The university distributes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans, through schools, directly to students. During the year ended June 30, 2012, the university disbursed $338.6 million ($307.7 million in 2011) under the Federal Direct Student Loan Program. Direct student loans receivable are not included in the university's statements of net assets since they are repayable directly to the U.S. Department of Education.

Income Taxes

The university is exempt from income taxes on related income pursuant to federal and state tax laws as an instrumentality of the State of New Jersey.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of 2011 amounts have been made to conform to the 2012 presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The university's cash and cash equivalents balance at June 30, 2012 includes a cash book balance of $97.5 million ($35.1 million in 2011). The actual amount of cash on deposit in the university's bank accounts at June 30, 2012 was $107.3 million ($47.0 million in 2011). Of this amount, $30.7 million ($28.6 million in 2011) was insured by the Federal Deposit Insurance Corporation at June 30, 2012. At June 30, 2012, $76.6 million ($18.4 million in 2011) was collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, and no cash was uninsured and uncollateralized at June 30, 2012 and 2011.

The foundation's cash and cash equivalents include uncollateralized deposits, including any bank balance that is collateralized with securities held by a pledging financial institution, or by its trust department or agent but not in the foundation's name. The foundation's cash and cash equivalents balance at June 30, 2012 includes a cash book balance of $16.3 million ($15.7 million in 2011). The actual amount of cash on deposit in the foundation's bank accounts at June 30, 2012 was $21.6 million ($29.2 million in 2011). Of this amount, $0.5 million ($0.5 million in 2011) was insured by the Federal Deposit Insurance Corporation at June 30, 2012. Cash and cash equivalents in excess of those balances, $21.1 million in 2012 ($28.7 million in 2011), are uncollateralized.

The university and foundation's cash and cash equivalents are carried in the financial statements at fair value and consist of the following at June 30, 2012 and 2011 (dollars in thousands):

	2012	2011
Money Market Funds	$256,159	$406,773
Repurchase Agreements	6,860	16,087
Cash and Deposits	150,560	53,556
Total Cash and Cash Equivalents	$413,579	$476,416

Investments

The Board of Governors and the Board of Trustees, through the Joint Committee on Investments, exercise authority over the investment of the university's Long-Term Investment Pool. Professional investment managers manage the investment of funds in accordance with the Investment Policy as established by the Joint Committee on Investments, approved by the Board of Governors with the consent of the Board of Trustees. Additionally, a professional investment consultant monitors and reports on the Long-Term Investment Pool and the individual investment managers. Under the terms of the university's bond indentures, bond proceeds and debt service funds may be invested and reinvested only in obligations which will by their terms mature on or before the date funds are needed for expenditure or withdrawal.

The primary financial objective of the investment management of the university's Long-Term Investment Pool is to preserve and enhance the Long-Term Investment Pool's real purchasing power while providing a relatively constant stream of earnings for current use. The long-term investment objective for the Long-Term Investment Pool is to attain an average annual total return of at least 4.5%, net of inflation, fees, and costs. The university's annual spending policy is to spend an amount not to exceed 4.5% of a trailing 13-quarter average of the Long-Term Investment Pool's market values. During 2012, the Joint Committee on Investments voted to reduce the endowment spending rate by 5% divided equally over a two year implementation period beginning in fiscal year 2013. For fiscal years 2013 and 2014, the endowment spending policy will drop to 4.3875% and 4.2750%, respectively. Current earned income will be used for ongoing spending requirements.

The university's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

The university's investments are carried in the financial statements at fair value and consist of the following at June 30, 2012 and 2011 (dollars in thousands):

	2012	2011
Commercial Paper	$229,397	$300,792
U.S. Government Treasury Securities	241,915	182,618
U.S. Government Agency Securities	94,875	151,072
Commodities	32,416	42,040
U.S. Corporate Equities	333,042	317,910
Foreign Corporate Equities	101,246	119,894
Real Estate	39,030	32,774
Corporate Bonds	14,449	48,623
Municipal Bonds	9,835	14,995
Bonds – Other Holdings	87,419	89,793
Other Investments	448	2,489
Total Investments	$1,184,072	$1,303,000

The Board of Overseers, through its Investment Committee, has authority over the investment of the foundation's funds. Professional investment managers are engaged by the foundation and have full discretion to buy, sell, invest and reinvest portions of the assets in accordance with the investment policies and objectives established by the Investment Committee.

The primary financial objective of the foundation's investment management of assets for the General Endowment Fund is to earn the highest yield possible without unnecessary risk to principal. To achieve the goals of safety, liquidity and return, the assets in the General Endowment Fund are invested in laddered high quality short term fixed income securities and/or an institutional money market fund. The objective for the Planned Giving Portfolio is to maximize long-term total return through a combination of income and capital appreciation in a prudent manner. To achieve the goals of growth and income, the assets within the Planned Giving Portfolio are divided into an equity portion (equities including convertibles and cash devoted to equities) and a fixed income portion (bonds, notes, nonconvertible preferred stock and cash devoted to fixed income).

The foundation's investments are carried in the financial statements at fair value based on quoted market prices, and consist of the following at June 30, 2012 and 2011 (dollars in thousands):

	2012	2011
U.S. Government Treasury Securities	$3,134	$6,465
U.S. Government Agency Securities		235
Corporate Bonds	3,941	2,971
Municipal Bonds	1,787	980
Mortgage-backed Securities	12,842	16,828
Asset-backed Securities	130	720
Preferred Stock	248	570
Common Stock	3,890	3,814
Foreign Corporate Debt Securities	663	497
Real Estate	1,242	1,882
Other Investments	837	568
Total Investments	$28,714	$35,530

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The operating funds of the university are managed against the expected cash requirements of these funds. The university projects its cash requirements and arranges investment maturities accordingly. Special attention is given to the interest rate environment in times of economic growth or downturns. The table below reflects the operation of this process. Endowment funds have a much longer outlook and are invested by professional managers against an index as provided in the university's investment guidelines. For the university, the following table summarizes the maturities of cash and cash equivalents and investments at June 30, 2012 and 2011 (dollars in thousands):

	2012				
		Investment Maturities (in years)			
Investment Type	Market Value	Less Than 1	1-5	6-10	More Than 10
Commercial Paper	$229,397	$229,397			
U.S. Government Treasury Securities	241,915	105,452	$133,779		$2,684
U.S. Government Agency Securities	94,875	20,881	73,892	$5	97
Corporate Bonds	14,449	10,994	3,455		
Municipal Bonds	9,835			1,045	8,790
Bonds – Other Holdings	87,419		2,734	84,685	
Money Market Funds	254,167	254,167			
Repurchase Agreements	6,860	6,860			
Total	938,917	$627,751	$213,860	$85,735	$11,571
U.S. Corporate Equities	333,042				
Foreign Corporate Equities	101,246				
Commodities	32,416				
Real Estate	39,030				
Other Investments	448				
Total	$1,445,099				

	2011				
		Investment Maturities (in years)			
Investment Type	Market Value	Less Than 1	1-5	6-10	More Than 10
Commercial Paper	$300,792	$300,792			
U.S. Government Treasury Securities	182,618	94,369	$86,105		$2,144
U.S. Government Agency Securities	151,072	42,848	108,149	$13	62
Corporate Bonds	48,623	36,546	12,077		
Municipal Bonds	14,995	14,995			
Bonds – Other Holdings	89,793		2,552	87,241	
Money Market Funds	406,773	406,773			
Repurchase Agreements	16,087	16,087			
Total	1,210,753	$912,410	$208,883	$87,254	$2,206
U.S. Corporate Equities	317,910				
Foreign Corporate Equities	119,894				
Commodities	42,040				
Real Estate	32,774				
Other Investments	2,489				
Total	$1,725,860				

The foundation does not have a provision in the investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. While the general provisions of the investment strategy should be implemented with a long-term prospective, all holdings must be sufficiently liquid so as to allow liquidation of the entire portfolio on one month's notice. In addition, annuity pooled investments in the planned giving portion of the portfolio are governed by the New Jersey Prudent Investor Act. The required reserves for this pool are reviewed utilizing actuarial assumptions of the charitable gift annuity assets. For the foundation, the following table summarizes the maturities at June 30, 2012 and 2011 (dollars in thousands):

	2012				
		Investment Maturities (in years)			
Investment Type	Market Value	Less Than 1	1-5	6-10	More Than 10
U.S. Government Treasury Securities	$3,134	$25	$2,128	$911	$70
Corporate Bonds	3,941	331	2,311	1,183	116
Municipal Bonds	1,787	431	1,145	28	183
Mortgage-backed Securities	12,842		145	1,520	11,177
Asset-backed Securities	130		130		
Foreign Corporate Debt Securities	663	3	490	148	22
Preferred Stock	248	107			141
Total	22,745	$897	$6,349	$3,790	$11,709
Common Stock	3,890				
Real Estate	1,242				
Other Investments	837				
Total	$28,714				

	2011				
		Investment Maturities (in years)			
Investment Type	Market Value	Less Than 1	1-5	6-10	More Than 10
U.S. Government Treasury Securities	$6,465	$4,507	$1,289	$610	$59
U.S. Government Agency Securities	235		179	56	
Corporate Bonds	2,971		2,261	655	55
Municipal Bonds	980		384	481	115
Mortgage-backed Securities	16,828			2,961	13,867
Asset-backed Securities	720		73	647	
Foreign Corporate Debt Securities	497	1	448	47	1
Preferred Stock	570	4	462		104
Total	29,266	$4,512	$5,096	$5,457	$14,201
Common Stock	3,814				
Real Estate	1,882				
Other Investments	568				
Total	$35,530				

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's Investment Policy states that individual bonds shall be rated with an investment grade by at least two of the three rating agencies (Moody's, Fitch, and Standard & Poor's (S&P)). The average credit quality of the Core Fixed Income Fund shall be maintained at AA (by S&P or equivalent rating by Moody's or Fitch) or higher. The prospect of credit risk or risk of permanent loss shall be avoided in the Core Fixed Income Fund. Issues of state or municipal agencies shall not be purchased except in unusual circumstances. A fixed income manager may invest in foreign securities up to a limit of 20% of the portfolio. At June 30, 2012, $0.8 million of the university's money market funds included in cash and cash equivalents were not rated ($35,146 in 2011). At June 30, 2012 and 2011, all of the university's repurchase agreements included in cash and cash equivalents were not rated. At June 30, 2012 and 2011, the university's cash and cash equivalent and investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	2012	2011
U.S. Government Treasury and Agency Securities	AAA	$67,497	$333,690
U.S. Government Treasury and Agency Securities	AA+	269,293	
Money Market Funds	AAA	253,390	371,627
Corporate Bonds	AAA	5,737	48,247
Corporate Bonds	AA+	6,912	77
Corporate Bonds	AA	1,511	
Corporate Bonds	A	196	200
Corporate Bonds	BBB+	93	99
Municipal Bonds	AAA	3,325	8,735
Municipal Bonds	AA+	1,410	1,600
Municipal Bonds	AA	770	1,000
Municipal Bonds	AA–	2,000	
Municipal Bonds	N/R	2,330	3,660
Bonds – Other Holdings	AA	66,187	89,793
Bonds – Other Holdings	AA–	21,232	
Commercial Paper	A-1+	92,974	213,423
Commercial Paper	A-1	136,423	87,369
Total		$931,280	$1,159,520

The foundation's Investment Policy states that individual bonds shall be rated an investment grade by at least two rating agencies (Moody's and S&P). The average credit quality of the Fixed Income Securities must be maintained at a class BBB/Baa or higher as rated by both standard services (Moody's and S&P). Up to 10% of the investment manager's portfolio may be invested in securities rated BBB/Baa or lower as rated by both standard services (Moody's and S&P). The dollar-weighted average rating of the fixed income portfolio for each manager of marketable bonds shall be A/A or better.

At June 30, 2012 and 2011, the foundation's investment quality ratings, at fair value, as rated by S&P were as follows (dollars in thousands):

Investment Type	Quality Rating	2012	2011
U.S. Government Treasury and Agency Securities	AAA		$6,700
U.S. Government Treasury and Agency Securities	AA+	$3,134	
Corporate Bonds	AAA		5
Corporate Bonds	AA+	29	72
Corporate Bonds	AA	56	
Corporate Bonds	AA–		64
Corporate Bonds	A+	204	176
Corporate Bonds	A	617	1,848
Corporate Bonds	A–	2,077	436
Corporate Bonds	BBB+	252	159
Corporate Bonds	BBB	95	77
Corporate Bonds	BBB–		48
Corporate Bonds	BB+	70	
Corporate Bonds	BB–	541	
Corporate Bonds	CCC		86
Municipal Bonds	AA+	46	15
Municipal Bonds	AA	350	26
Municipal Bonds	A+	1,017	552
Municipal Bonds	A	280	288
Municipal Bonds	A–	94	99
Mortgage-backed Securities	AAA	24	16,828
Mortgage-backed Securities	AA+	12,818	
Asset-backed Securities	AAA	60	73
Asset-backed Securities	AA–	70	647
Foreign Debt Securities	AAA		20
Foreign Debt Securities	AA	22	
Foreign Debt Securities	AA–	51	47
Foreign Debt Securities	A+	59	21
Foreign Debt Securities	A	76	342
Foreign Debt Securities	A–	340	37
Foreign Debt Securities	BBB	115	30
Preferred Stock	A–		284
Preferred Stock	BBB+	57	
Preferred Stock	BBB	53	118
Preferred Stock	BB+	85	50
Preferred Stock	BB–	49	58
Preferred Stock	B+		56
Preferred Stock	CC		4
Preferred Stock	C	4	
Total		$22,745	$29,266

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the university will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The university's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in the university's name. Money market and mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At June 30, 2012 and 2011, the university had $371.5 and $393.6 million, respectively, of investments that were uninsured and unregistered and not held by the outside party in the university's name.

Investment Type	2012	2011
Corporate Equities	$266,908	$251,126
Bonds – Other Holdings	33,182	67,686
Commodities	32,416	42,040
Real Estate	39,030	32,774
Total	$371,536	$393,626

As of June 30, 2012 and 2011, the foundation's investments were either insured, registered, or held by the foundation's agent in the foundation's name, except for money market and mutual funds, which are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Investments - Endowment Funds

The majority of endowment funds assets are in the Long-Term Investment Pool. Each individual fund subscribes to or disposes of units in the pools on the basis of the per-unit market value at the beginning of the three-month period within which the transaction takes place. At June 30, 2012, the market value of the Long-Term Investment Pool was $581.2 million ($577.9 million in 2011). In addition, the aggregate endowment market value of funds separately invested was $53.7 million at June 30, 2012 ($61.1 million in 2011). The investment appreciation was $59.8 million at June 30, 2012 (appreciation of $83.1 million in 2011). These amounts are included in restricted nonexpendable, restricted expendable and unrestricted net assets.

The university employs a spending policy which provides for annual spending at a stated rate determined by the Joint Investment Committee of the Board of Governors and the Board of Trustees. Income earned above the stated rate is reinvested and added to the endowment principal, while any shortfall is covered by capital appreciation. The university complies with the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) P.L. 2009, Chapter 64, adopted by New Jersey. This law speaks to the management and use of funds held by charitable institutions.

Alternative Investments

As part of its investment strategy, the university has committed to invest a total of $186.5 million to 40 non-marketable alternative asset partnerships, hedge funds and real estate funds at June 30, 2012 ($175.5 million to 37 non-marketable alternative asset partnerships, hedge funds and real estate funds in 2011). As of June 30, 2012, the university has $143.6 million of paid-in capital to these alternative assets ($122.3 million in 2011) and $46.8 million in unfunded commitments ($56.4 million in 2011).

NOTE 3 – ACCOUNTS RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown net of the allowance for doubtful accounts and are comprised of the following at June 30, 2012 and 2011 (dollars in thousands):

	Accounts Receivable	Allowance	Net 2012
Government Grants Receivable and Other Sponsored Programs	$77,002	$500	$76,502
Plant Receivables	41,379		41,379
Federal and State Governments	18,439		18,439
Student Accounts Receivable	13,503	4,349	9,154
Interest Receivable	6,190		6,190
Other	19,443	1,229	18,214
Total	$175,956	$6,078	$169,878

	Accounts Receivable	Allowance	Net 2011
Government Grants Receivable and Other Sponsored Programs	$54,840	$500	$54,340
Plant Receivables	41,482		41,482
Student Accounts Receivable	10,170	3,310	6,860
Interest Receivable	5,213		5,213
Federal and State Governments	8,060		8,060
Other	17,407	1,129	16,278
Total	$137,172	$4,939	$132,233

Students' notes receivable in the statements of net assets are also shown net of the allowance for doubtful notes, which amounted to $4.5 million at June 30, 2012 ($4.2 million in 2011).

The allowances for doubtful accounts and notes are based upon management's best estimate of uncollectible accounts and notes at June 30, 2012 and 2011, considering type, age, collection history and other appropriate factors.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

The anticipated receipt of contributions receivable is as follows at June 30, 2012 and 2011 (dollars in thousands):

Year Ending June 30:	2012	2011
Within one year	$24,515	$22,328
Two to five years	24,346	24,254
	48,861	46,582
Less allowance for uncollectible contributions	(1,755)	(300)
Total Contributions Receivable	$47,106	$46,282

Pledges of permanent endowments and term endowments do not meet the recognition criteria of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, until cash or other assets are received. These pledges, which approximated $37.1 million at June 30, 2012 ($34.2 million in 2011) have not been included in the accompanying statements of net assets.

NOTE 5 – CAPITAL ASSETS

The detail of Capital Assets activity for the years ended June 30, 2012 and 2011 is as follows (dollars in thousands):

	Balance 2011	Additions	Retirements/ Capitalization	Balance 2012
Capital Assets Not Being Depreciated:				
Land	$59,474	$1,219		$60,693
Capitalized Art Collections	58,448	1,070		59,518
Construction in Progress	240,287	253,891	$127,009	367,169
Total	358,209	256,180	127,009	487,380
Capital Assets Being Depreciated:				
Land Improvements	271,207	10,523		281,730
Buildings	2,257,635	139,012		2,396,647
Equipment	454,018	29,938	15,369	468,587
Total	2,982,860	179,473	15,369	3,146,964
Less Accumulated Depreciation:				
Land Improvements	193,946	19,084		213,030
Buildings	800,639	54,869		855,508
Equipment	331,707	30,440	14,629	347,518
Total	1,326,292	104,393	14,629	1,416,056
Net Capital Assets Being Depreciated	1,656,568	75,080	740	1,730,908
Total Capital Assets, net	$2,014,777	$331,260	$127,749	$2,218,288

During 2012, the university has capitalized interest expense of $13.6 million in construction in progress in the accompanying statements of net assets.

	Balance 2010	Additions	Retirements/ Capitalization	Balance 2011
Capital Assets Not Being Depreciated:				
Land	$59,436	$38		$59,474
Capitalized Art Collections	58,007	441		58,448
Construction in Progress	147,531	176,607	$83,851	240,287
Total	264,974	177,086	83,851	358,209
Capital Assets Being Depreciated:				
Land Improvements	256,532	14,675		271,207
Buildings	2,162,205	97,051	1,621	2,257,635
Equipment	435,010	32,113	13,105	454,018
Total	2,853,747	143,839	14,726	2,982,860
Less Accumulated Depreciation:				
Land Improvements	174,942	19,004		193,946
Buildings	752,889	47,750		800,639
Equipment	317,745	26,979	13,017	331,707
Total	1,245,576	93,733	13,017	1,326,292
Net Capital Assets Being Depreciated	1,608,171	50,106	1,709	1,656,568
Total Capital Assets, net	$1,873,145	$227,192	$85,560	$2,014,777

During 2011, the university had capitalized interest expense of $10.7 million in construction in progress in the accompanying statements of net assets.

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2012 and 2011 (dollars in thousands):

	2012	2011
Vendors	$71,553	$62,102
Compensated Absences	56,615	52,588
Accrued Salaries and Benefits	30,074	31,601
Workers Compensation	13,985	13,153
Interest Payable	7,333	10,872
Retainage	10,830	9,756
Other Accrued Expenses	5,722	3,521
Total Accounts Payable and Accrued Expenses	$196,112	$183,593

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liability activity for the years ended June 30, 2012 and 2011 is as follows (dollars in thousands):

	Balance 2011	Additions	Reductions	Balance 2012	Current Portion
Accounts Payable and Accrued Expenses	$183,593	$17,585	$5,066	$196,112	$167,620
Restricted Annuities Payable	5,951	1,105	909	6,147	921
Long-Term Liabilities	1,122,493	24	39,530	1,082,987	40,818
Total Noncurrent Liabilities	$1,312,037	$18,714	$45,505	$1,285,246	$209,359

	Balance 2010	Additions	Reductions	Balance 2011	Current Portion
Accounts Payable and Accrued Expenses	$157,518	$29,780	$3,705	$183,593	$159,512
Restricted Annuities Payable	6,027	822	898	5,951	901
Long-Term Liabilities	769,841	439,343	86,691	1,122,493	39,175
Total Noncurrent Liabilities	$933,386	$469,945	$91,294	$1,312,037	$199,588

NOTE 8 – COMMERCIAL PAPER

On February 28, 2007, the university instituted the commercial paper program to provide interim or short-term financing for the acquisition and construction of and improvements, repairs, replacements, additions and betterments to the facilities, and the acquisition of equipment, and other property in connection therewith, of the university, and the refinancing of certain outstanding obligations of the university. The commercial paper was to be issued either as Tax-Exempt Commercial Paper or as Taxable Commercial Paper.

The commercial paper constitute direct general obligations of the university for the payment of which, as to both principal and interest, the full faith and credit of the university are pledged. Principal of the commercial paper, to the extent not paid from proceeds of general obligation bonds and proceeds of other commercial paper, and interest on the commercial paper is payable from other available university funds. The university has entered into a Standby Commercial Paper Purchase Agreement with Wells Fargo Bank, National Association (the Liquidity Provider) under which the Liquidity Provider is obligated to purchase newly issued commercial paper to pay the principal of other commercial paper, subject to suspension or termination upon the occurrence of certain events. The Standby Commercial Paper Purchase Agreement will terminate at the close of business on April 20, 2015, unless terminated prior to such date in accordance with its terms. Morgan Stanley & Co. Incorporated will be the exclusive dealer in connection with the offering and issuance of the Series A Tax-Exempt Commercial Paper, the Series C Taxable Commercial Paper and the Series D Extendable Commercial Paper. Merrill Lynch, Fenner & Smith Incorporated will be the dealer in connection with the offering and issuance of the Series B Tax-Exempt Commercial Paper.

During fiscal year 2011, the university issued General Obligation Commercial Paper Series A and C for $26.2 million and $16.0 million, respectively. These issuances were to provide interim financing of the 2010 Capital Projects. In addition, as part of the issuance of General Obligation Bonds, 2010 Series H, the university redeemed $26.2 million of General Obligation Commercial Paper Series A. In addition, using university funds, the university redeemed $0.5 million and $1.6 million of General Obligation Commercial Paper Series A and C, respectively.

During fiscal year 2012, the university issued General Obligation Commercial Paper Series B for $27.0 million. This issuance was to provide interim financing for the Camden Housing Project. In addition, using university funds, the university redeemed $4.2 million of General Obligation Commercial Paper Series C.

Commercial Paper activity as of June 30, 2012 and June 30, 2011 is as follows (dollars in thousands):

	2011 Balance	Additions	Retirements	2012 Balance
Series A	$1,850			$1,850
Series B		$27,000		27,000
Series C	56,845		$4,190	52,655
	$58,695	$27,000	$4,190	$81,505

	2010 Balance	Additions	Retirements	2011 Balance
Series A	$2,360	$26,170	$26,680	$1,850
Series C	42,425	16,000	1,580	56,845
	$44,785	$42,170	$28,260	$58,695

NOTE 9 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2012 and 2011 is as follows (dollars in thousands):

	Balance 2011	Additions	Retirements	Balance 2012	Current Portion
General Obligation Bonds Payable	$973,206	$24	$30,645	$942,585	$31,944
Lease Obligations	108,763		8,752	100,011	8,735
Notes Payable	1,581		133	1,448	139
Loans Payable	38,943			38,943	
Total Long-Term Liabilities	$1,122,493	$24	$39,530	$1,082,987	$40,818

	Balance 2010	Additions	Retirements	Balance 2011	Current Portion
General Obligation Bonds Payable	$612,651	$435,535	$74,980	$973,206	$30,290
Lease Obligations	116,538	3,808	11,583	108,763	8,752
Notes Payable	1,709		128	1,581	133
Loans Payable	38,943			38,943	
Total Long-Term Liabilities	$769,841	$439,343	$86,691	$1,122,493	$39,175

OTHER OBLIGATIONS OF THE UNIVERSITY

Notes Payable

Notes payable at June 30, 2012 and 2011 consist of an unsecured note payable to the U.S. Department of Education with interest at 5.5%, final installment due January 1, 2021.

Rutgers Community Park

In 1999, the university and the City of Camden entered into an agreement for the acquisition, development and construction of an outdoor recreational complex designated the Rutgers Community Park which was made available to university students and the public. On June 26, 2002, the university agreed to assume the obligation for debt service payable on an aggregate of $1.0 million in loans that the City of Camden received from the Green Acres Program of the State of New Jersey in connection with the Rutgers Community Park, pursuant to an Amended and Restated Interlocal Services Agreement between the City of Camden and the university. The assumption of the debt service payable on the Green Acres Program of the State of New Jersey loan is a general obligation of the university secured by the full faith and credit of the university. At June 30, 2012, the outstanding amount due on the loans was $0.5 million ($0.5 million in 2011).

Guaranty of LEAP School Bond Financing

The Delaware River Port Authority (the Authority) issued $8.5 million of Charter School Project Bonds, Series 2003 (LEAP Academy university Charter School, Inc.) on October 2, 2003 pursuant to the Compact, the New Jersey Act, the Pennsylvania Act and an Indenture of Trust dated as of September 1, 2003, by and between the Authority and Commerce Bank, National Association, as trustee (the Guaranty), for the purpose of financing the costs of the design, development, construction and equipping of the LEAP Academy University Charter School (the LEAP School) in Camden, New Jersey. The LEAP School will be owned and managed by the LEAP Academy University Charter School, Inc., a New Jersey not-for-profit corporation, and will serve approximately 216 students in grades 9-12. The LEAP School site is adjacent to the Camden Campus. The university's obligations under the Guaranty are a general obligation of the university secured by the full faith and credit of the university.

College Hall Student Housing Project

The university entered into a Limited Minimum Revenue Guaranty, dated January 22, 2004, pursuant to which the university agreed to pay the debt service payable for a two-year period on, and thereafter to replenish the debt service reserve account established in connection with, the Middlesex County Improvement Authority's (the MCIA) $4.2 million aggregate principal amount of Revenue Bonds (George Street Student Housing Project), 2004 Series B. The 2004 Series B Bonds mature on August 15, 2011 and were issued, together with the MCIA's $49.9 million Revenue Bonds (George Street Student Housing Project), 2004 Series A, to finance the cost of the planning, design, development, supervision, construction, furnishing, equipping and opening of a student housing facility for use primarily by the university's students. The university's obligations under the Limited Revenue Guaranty are a general obligation of the university secured by the full faith and credit of the university.

Loans Payable

On May 30, 2007, One Washington Park Holdings (QALICB) entered into two loan and security agreements with New Jersey Community Capital Community Development Entity (NJCC CDE) I LLC and NJCC CDE II LLC in the amounts of $36.3 million and $2.6 million, respectively, to finance a portion of the acquisition and renovation of the property located at One Washington Park in Newark, NJ (See Note 16). The loans bear interest at a rate of 2.33% per annum and 1.45% per annum, respectively, and are payable every December 1. The principal amounts are due to NJCC CDE I LLC and NJCC CDE II LLC on December 1, 2014.

At June 30, 2012 and 2011, the outstanding balance of the NJCC CDE I and II loans remained at $38.9 million and $38.9 million, respectively.

On December 23, 2010, the university entered into a loan agreement with Somerset Street Associates 2, LLC (Borrower) in the amount of $16.1 million. The funds will be used for the construction of the Rutgers University Bookstore, Rutgers University Press, and the common areas (the Rutgers Component). Beginning on October 1, 2012, and continuing through the payment due on January 1, 2018, accrued interest only shall be payable in quarterly installments due and payable on the first business day of each quarter. Beginning on April 1, 2018, the borrower shall make quarterly payments of principal and interest over the remaining term of the note (April 1, 2041), due and payable on the first business day of each quarter.

Bonds Payable – General Obligation

A summary of bonds issued and outstanding at June 30, 2012 and 2011 is as follows (dollars in thousands):

	Date of Series	Original Amount	Outstanding June 30, 2012	2011
General Obligation Refunding Bonds:				
1992 Series A, 6.51% effective, due serially to May 1, 2007 and term bonds due May 1, 2013	Feb. 1, 1992	$94,370	$5,180	$10,030
2002 Series A, variable-rate, due serially to May 1, 2018	Feb. 1, 2002	110,000	57,300	61,400
2003 Series C, 3.41% effective, due serially to May 1, 2019	July 15, 2003	111,320	34,100	41,460
2010 Series I, 3.46% effective, due serially to May 1, 2025 and term bonds due May 1, 2029	Nov. 1, 2010	40,830	40,830	40,830
Total General Obligation Refunding Bonds		356,520	137,410	153,720
General Obligation Bonds:				
2002 Series B, 4.60% effective, due serially to May 1, 2012 and term bonds due May 1, 2027, 2032 and 2034	Nov. 1, 2002	50,000	24,065	25,155
2003 Series D, 3.74% effective, due serially to May 1, 2019	Dec. 1, 2003	24,805	8,730	10,305
2004 Series E, 4.69% effective, due serially to May 1, 2029 and term bonds due May 1, 2031 and 2034	July 1, 2004	86,725	76,685	78,720
2009 Series F, 4.56% effective, due serially to May 1, 2031 and term bonds due May 1, 2039	Feb.10, 2009	233,105	214,285	220,995
2009 Series G, variable-rate, due serially to May 1, 2039	Apr. 29, 2009	80,000	75,530	77,085
2010 Series H, 3.70% effective, due serially May 1, 2019 through May 1, 2022 and term bonds due May 1, 2029 and 2040	Nov. 1, 2010	390,990	390,990	390,990
Total General Obligation Bonds		865,625	790,285	803,250
Total Bonds		$1,222,145	$927,695	$956,970

The General Obligation Bonds Payable includes premium on bonds, net of bond discounts, of $14.9 million at June 30, 2012 ($16.2 million in 2011, premium on bonds, net of bond discounts) related to Series 1992 A, Series 2002 B, Series 2003 C, Series 2003 D, Series 2004 E, Series 2009 F, and Series 2010 I.

General Obligation and General Obligation Refunding Bonds

The General Obligation Refunding Bonds, 1992 Series A was issued under an open-ended Indenture of Trust, dated May 1, 1987, as supplemented, and the General Obligation Refunding Bonds, 2002 Series A, were issued under an Indenture of Trust, dated February 1, 2002. These bonds were issued to finance a portion of the cost of the renovation, construction and equipping of certain academic, research support and other facilities, as well as infrastructure development and land acquisitions of the university. Under the terms of the indentures, all bonds issued are direct and general obligations of the university and are in no way an obligation of the State of New Jersey. On August 25, 2011, the university, along with First Union National Bank (predessor to U.S. Bank, National Association), the Trustee, and TD Bank, N.A. (the Substitute Liquidity Facility), entered into a Standby Bond Purchase Agreement for General Obligation Refunding Bonds, 2002 Series A pursuant to Section 5.9(b) of the First Supplemental Indenture of Trust, dated as of February 1, 2002, which supplements the Indenture of Trust, dated as of February 1, 2002. This agreement carries an annual facility fee of 0.4% and expires on August 25, 2014. As of June 30, 2012, no funds have been drawn against this agreement. The original purchase agreement was among the university, the Trustee, and Landesbank Hessen-Thuringen Girozentrale, New York Branch was terminated on August 25, 2011 and bore an annual facility fee of 0.3%. In connection with the delivery of the Substitute Liquidity Facility, Standard & Poor's has affirmed its AA/A-1+ rating on the bonds, and Moody's has affirmed its Aa2, Aa2/VMIG1 and P-1 ratings on the bonds.

The General Obligation Bonds, 2002 Series B, were issued in the amount of $50.0 million and dated November 1, 2002. The 2002 Series B Bonds are secured under the provisions of an Indenture of Trust, dated as of February 1, 2002, as supplemented by a First Supplemental Indenture of Trust, dated as of February 1, 2002, each between the university and First Union National Bank (now known as Wells Fargo Bank, National Association), as trustee and a Second Supplemental Indenture of Trust, dated as of November 1, 2002, between the university and the Trustee. In September 2006, Wachovia Bank (now known as Wells Fargo Bank) sold all trustee rights to U.S. Bank. The proceeds of the 2002 Series B Bonds, together with certain other monies available to the university, are being used to finance, in part, the costs of the construction of new buildings for the Department of Biomedical Engineering and the Department of Human Genetics on the Busch Campus; the renovation of Olson Hall on the Newark Campus to upgrade and expand laboratory space, conference room space, classroom space and faculty offices for the Biological Sciences and Chemistry Departments; implementation of the Housing Fire Safety Program mandating installation of automatic fire suspension systems in all student residences and certain environmental remediation, health and safety and infrastructure support in accordance with State regulations; and the financing of certain deferred maintenance and other capital improvements in accordance with the State Higher Education Capital Improvement Fund Act of 1999.

The General Obligation Refunding Bonds, 2003 Series C, were issued in the amount of $111.3 million and dated July 15, 2003. The bonds were issued under the terms of an Indenture of Trust, dated February 1, 2002, as supplemented, and a Third Supplemental Indenture of Trust, dated as of July 1, 2003. The 2003 Series C Bonds were issued to refund in whole the university's outstanding (i) Revenue Refunding Bonds, Series S, (ii) Revenue Refunding Bonds, Series T, (iii) General Obligation Refunding Bonds, 1993 Series 1, (iv) General Obligation Refunding Bonds, 1993 Series A, and (v) General Obligation Bonds, 1993 Series B. The proceeds of the 2003 Series C Bonds, along with certain other moneys provided, were used to (i) redeem the above mentioned bonds prior to maturity, in whole on July 31, 2003, at their appropriate respective principal amounts plus the applicable redemption premium, if any and interest, and (ii) to pay certain administrative, legal, financing and incidental expenses relating to the issuance of the 2003 Series C Bonds. The university completed the advance refunding to reduce its total debt service payments over the next 16 years by $33.8 million and to obtain an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $12.0 million. The difference between the reacquisition price and the net carrying amount of the old debt, $4.4 million, is being deferred and amortized as interest expense through the year 2019 using the effective interest method. In 2012, $0.3 million ($0.3 million in 2011) has been expensed leaving $1.9 million as deferred charges.

The General Obligation Bonds, 2003 Series D, were issued in the amount of $24.8 million and dated December 1, 2003. The 2003 Series D Bonds are secured under the provisions of the Indenture of Trust, dated as of February 1, 2002, as supplemented between the university and First Union National Bank (now known as Wells Fargo Bank, National Association), as Trustee and a Fourth Supplemental Indenture of Trust, dated as of December 1, 2003, between the university and the Trustee. In September 2006, Wachovia Bank (now known as Wells Fargo Bank) sold all trustee rights to U.S. Bank. The proceeds of the 2003 Series D Bonds are being used to finance (i) the costs of construction of certain deferred capital maintenance projects on the New Brunswick Campus, the Camden Campus and the Newark Campus, each project with a minimum economic life of ten years, and (ii) certain administrative, legal, financing and incidental expenses relating to the issuance of these Bonds.

The General Obligation Bonds, 2004 Series E, were issued in the amount of $86.7 million on July 1, 2004. The bonds were issued under the terms of an Indenture of Trust, dated as of February 1, 2002, as supplemented, between the university and the First Union National Bank (now known as Wells Fargo Bank, National Association), as Trustee, and a Fifth Supplemental Indenture of Trust, dated July 1, 2004, between the university and the Trustee. In September 2006, Wachovia Bank (now known as Wells Fargo Bank) sold all trustee rights to U.S. Bank. The 2004 Series E Bonds are authorized to be issued pursuant to the terms of the Fifth Supplemental Indenture, supplemental to and amendatory of the Master Indenture. The 2004 Series E Bonds are authorized under the provisions of Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statutes Annotated (the Act), and the Indenture. The 2004 Series E Bonds were issued to fund capital projects for sites and buildings located at the New Brunswick, Newark and Camden campuses of the university, which include: (i) the construction of a student-housing facility with ancillary student-related and retail space on the Newark Campus; (ii) the expansion to and renovation of the Camden Law School; (iii) the complete interior and exterior reconstruction of the Administrative Services Building II located on the New Brunswick Campus; (iv) the fit-out and equipping of the Public Safety Building on the New Brunswick Campus; and (v) the construction of a new College of Nursing Building for academic and administrative offices and teaching laboratories.

The General Obligation Bonds, 2009 Series F, were issued in the amount of $233.1 million on February 10, 2009. The bonds were issued under the terms of an Indenture of Trust, dated as of February 1, 2002 (the Master Indenture) as supplemented by and between the university and U.S. Bank National Association (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the Trustee), and a Sixth supplemental Indenture of Trust, dated as of February 1, 2009, by and between the university and the Trustee (the sixth supplemental Indenture, and together with the Master Indenture, the Indenture). The 2009 Series F Bonds were issued for (i) the refinancing of Commercial Paper which financed the construction of various capital projects, (ii) the financing of additional capital projects of the university, (iii) the refunding of certain outstanding bonds of the university, and (iv) the payment of certain administrative, legal, financing, and incidental expenses relating to the issuance of the bonds.

The General Obligation Bonds, 2009 Series G, were issued in the amount of $80.0 million on April 29, 2009. The bonds are secured under the provisions of an Indenture of Trust, dated as of February 1, 2002, (the Master Indenture) as supplemented by and between the university and U.S. Bank National Association (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the Trustee), and a Seventh Supplemental Indenture of Trust, dated as of May 1, 2009, by and between the university and the Trustee (the Seventh Supplemental Indenture, together with the Master Indenture, the Indenture). The 2009 Series G Bonds are authorized under the provisions of Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statues Annotated (the Act), and the Indenture. The 2009 Series G Bonds were issued for (i) the refinancing of the Commercial Paper which financed the construction of various capital projects, (ii) the financing of additional capital projects of the university, and (iii) the payment of certain administrative, legal, financing, and incidental expenses relating to the issuance of these bonds. On May 6, 2009, the university, along with U.S. Bank National Association, entered into a Standby Bond Purchase Agreement for General Obligation Bonds 2009 Series G at an annual facility fee of 1.0%. This agreement was extended on May 4, 2012, with an expiration date of May 15, 2015. The agreement carries an annual facility fee of 0.4% at the university's current bond rating. As of June 30, 2012, no funds have been drawn.

The General Obligation Bonds, 2010 Series H, and the General Obligation Refunding Bonds, 2010 Series I (collectively the 2010 Series Bonds) were issued in the amount of $391.0 million and $40.8 million, respectively, on November 1, 2010. The bonds are secured under the provisions of an Indenture of Trust, dated as of February 1, 2002, (the Master Indenture) as supplemented by and between the university and U.S. Bank National Association, (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the Trustee), as supplemented and amended, including by the Eighth Supplemental Indenture of Trust, dated as of November 1, 2010, by and between the university and the Trustee (the Eighth Supplemental Indenture, together with the Master Indenture, the Indenture). The 2010 Series Bonds are authorized under the provisions of Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statutes Annotated, and the Indenture. The 2010 Series Bonds were issued to (i) finance and/or refinance a portion of the construction of various capital projects of the university (the 2010 Capital Projects), (ii) provide for the refinancing of (a) certain outstanding commercial paper of the university, and (b) the current and/or advance refunding of all or a portion of certain outstanding bonds of the university, and (iii) finance costs of issuance with respect to the 2010 Capital Projects. The bonds which were refunded in whole included General Obligation Bonds 1998 Series A ($16.2 million), and in part General Obligation Bonds 2002 Series B ($17.3 million), 2003 Series C ($6.8 million), and 2003 Series D ($3.4 million).

All bonds bear interest at fixed-rates with the exception of 2002 Series A and 2009 Series G, which bear interest at a variable-rate. For 2002 Series A, the rates varied from a low of 0.01% to a high of 0.24% during fiscal year 2012 (a low of 0.03% to a high of 0.29% during fiscal 2011). For 2009 Series A, the rates varied from a low of 0.02% to a high of 0.29% during fiscal year 2012 (a low of 0.03% to a high of 0.30% during fiscal year 2011). With the intention of lowering its effective interest rate related to 2002 Series A and Series 2009 G, the university entered into swap agreements with JP Morgan Chase, Merrill Lynch, and Bank of New York. (See **NOTE 10** for additional information about derivatives.) The university is exposed to basis risk due to the difference between the floating rate on the bonds and the SIFMA/LIBOR rate.

The following is the synthetic rate, related to the 2002 Series A bond, at the end of fiscal years 2012 and 2011:

	Terms	2012	Terms	2011
Interest rate swap				
Fixed payment to counterparty	Fixed	3.96%	Fixed	3.96%
Variable payment from counterparty	SIFMA	–0.18%	SIFMA	–0.13%
Net interest rate swap payments		3.78%		3.83%
Variable rate bond coupon payments		0.16%		0.03%
Synthetic interest rate		3.94%		3.86%

The following is the synthetic rate, related to the 2009 Series G Bonds, at the end of fiscal year 2012:

	Terms	Merrill Lynch	Terms	Bank of New York
Interest rate swap				
Fixed payment to counterparty	Fixed	4.08%	Fixed	3.82%
Variable payment from counterparty	3 MO LIBOR	–0.47%	SIFMA	–0.18%
Net interest rate swap payments		3.61%		3.64%
Variable rate bond coupon payments		0.17%		0.17%
Synthetic interest rate		3.78%		3.81%

The following is the synthetic rate, related to the 2009 Series G Bonds, at the end of fiscal year 2011:

	Terms	Merrill Lynch	Terms	Bank of New York
Interest rate swap				
Fixed payment to counterparty	Fixed	4.08%	Fixed	3.82%
Variable payment from counterparty	3 MO LIBOR	–0.25%	SIFMA	–0.13%
Net interest rate swap payments		3.83%		3.69%
Variable rate bond coupon payments		0.03%		0.03%
Synthetic interest rate		3.86%		3.72%

Using rates as of the end of the fiscal year, debt service payments to maturity, assuming current interest rates remain the same for their term, are as follows (dollars in thousands):

	Fixed-Rate Bonds		Variable-Rate Bond		Interest Rate	
Year	Principal	Interest	Principal	Interest	Swap, Net	Total
2013	$24,890	$40,693	$5,815	$220	$4,898	$76,516
2014	19,340	39,633	11,580	211	4,681	75,445
2015	19,450	38,740	11,945	192	4,246	74,573
2016	19,550	37,855	12,410	172	3,797	73,784
2017	15,625	37,005	12,880	153	3,330	68,993
2018-2022	91,130	174,247	21,965	552	11,769	299,663
2023-2027	117,845	151,324	12,820	436	9,266	291,691
2028-2032	161,635	115,623	15,605	318	6,755	299,936
2033-2037	188,760	69,156	19,055	174	3,699	280,844
2038-2042	136,640	15,809	8,755	22	477	161,703
Total	$794,865	$720,085	$132,830	$2,450	$52,918	$1,703,148

As rates vary, variable-rate bond interest payments and net interest rate swap payments will vary.

EXTINGUISHMENT OF DEBT

On November 19, 2010, as part of the General Obligation Refunding Bonds, 2010 Series I, the university completed the advance refunding of General Obligation Bonds 1998 Series A and partial refunding of General Obligation Bonds 2002 Series B, 2003 Series C, and 2003 Series D to reduce its total debt service payments over the next 19 years by $5.7 million and to obtain an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $2.3 million. The difference between the acquisition price and the net carrying amount of the old debt of $1.8 million and the issuance cost related to the refunding of $0.3 million is being deferred and amortized as interest expense through the year 2029 using the effective interest method. In 2012, $0.2 million ($0.1 million in 2011) has been expensed leaving $1.8 million as deferred charges ($2.0 million in 2011).

This refunding defeased all of the General Obligation Bonds 1998 Series A, totaling $16.2 million, and partially defeased $17.3 million, $6.8 million, and $3.4 million of General Obligation Bonds 2002 Series B, 2003 Series C, and 2003 Series D, respectively. At June 30, 2012, the remaining outstanding balances for the partially refunded issues were $24.1 million ($25.2 million in 2011), $34.1 million ($41.5 million in 2011), and $8.7 million ($10.3 million in 2011) of General Obligation Bonds 2002 Series B, 2003 Series C, and 2003 Series D, respectively. Also at June 30, 2012, $0.0 million ($17.3 million in 2011), $6.8 million ($6.8 million in 2011), and $3.4 million ($3.4 million in 2011) was held in escrow for General Obligation Bonds 2002 Series B, 2003 Series C, and 2003 Series D, respectively.

CAPITALIZED LEASE OBLIGATIONS

Facilities Authority

Higher Education Capital Improvement Fund (HECIP) — Under the provisions of the State of New Jersey Higher Education Capital Improvement Fund Act (the HECIP Act) of 1999 (P.L. 1999, c. 217), the university has been allocated $169.0 million to help finance certain of its deferred maintenance and other capital needs. The funds are provided through bonds issued by the Facilities Authority. The university is obligated to pay one-third of the debt service on the bonds. On December 20, 2000, the Facilities Authority issued bonds, the university's portion of which amounted to $75.0 million. The bonds bear an effective interest rate of 5.06% per annum and mature on September 1, 2020. Additional bonds, Series 2002 A, were issued by the Facilities Authority on November 21, 2002. The university's portion and remaining balance of the $169.0 million amounted to $94.0 million. The bonds bear an effective interest rate of 3.47% per annum and mature on September 1, 2022. In accordance with the act, the university is required to make annual lease payments to retire 33.3% of the bonds, representing the university's portion, including interest. The State of New Jersey is obligated to pay the remaining 66.7% of the annual debt service. At June 30, 2012, the university had a capital lease obligation of $39.6 million ($42.0 million in 2011).

Dormitory Safety Trust Fund (DSTF) - Under the provisions of the Dormitory Safety Trust Fund Act (the DSTF Act) (P.L. 2000, c.56), the university received a $29.0 million interest free loan to finance the installation of fire suppression systems in buildings used as student dormitories. The New Jersey Educational Facilities Authority issued two series of bonds on August 14, 2001 to finance these loans. Series 2001A (Tax Exempt) bears an effective interest rate of 4.8% per annum, and Series 2001B (Federally Taxable) bears an effective interest rate of 6.1% per annum. Both series mature on March 1, 2016. At June 30, 2012, the university had a capital lease obligation of $8.3 million ($10.4 million in 2011).

Housing Authority

In connection with a redevelopment project undertaken by the Housing and Urban Development Authority of the City of New Brunswick (the Housing Authority), a series of agreements were entered into by the university, the Housing Authority and Robert Wood Johnson University Hospital, Inc., the outcome of which was the construction of a student apartment complex, parking deck, health club facility and multi-unit retail center. Pursuant to the terms of the capital lease and agreement dated July 1, 1992 between the university and the Housing Authority, the Housing Authority issued bonds in the aggregate amount of $55.3 million on July 23, 1992, at an effective interest rate of 6.23% per annum, for the purpose of providing long-term financing for the project. On December 1, 1998, these bonds were refinanced in the aggregate amount of $54.5 million, at an effective interest rate of 4.83% per annum. On March 25, 2011, these bonds were refinanced, once again, in the aggregate amount of $31.3 million, at an effective interest rate of 3.2% per annum. The bonds mature serially from July 1, 2011, through July 1, 2020. In accordance with the agreement, the university is required to pay an annual rental to the Housing Authority over the life of the agreement in amounts necessary to retire the university's portion of the bonds, including interest, to provide for sinking fund and reserve account requirements and to reimburse the Housing Authority for its administrative costs. Upon retirement of the bonds, title to the student apartment complex, parking deck, health club facility and the related common space will be transferred to the university. Accordingly, the land and facilities have been capitalized with a corresponding liability classified as a capital lease obligation. At June 30, 2012, this liability was $26.2 million ($28.8 million in 2011). As discussed more fully below, a portion of this capital lease obligation is being funded under a sublease agreement.

Hospital Sublease

In conjunction with the Housing Authority capital lease and agreement, the university simultaneously entered into a sublease and agreement with the Robert Wood Johnson University Hospital, Inc. (the Hospital), dated July 1, 1992, whereby the Hospital agreed to lease a portion of the parking facility from the university. The sublease provides for an initial term of two years which commenced July 1992, renewable in six consecutive five year terms. In accordance with the sublease, the Hospital is required to pay an annual rental to the university over the life of the agreement, subject to termination payments to the university should the options to renew not be exercised. The payments received under this sublease are being used by the university to cover a proportional amount of the lease payments due to the Housing Authority. Upon retirement of the bonds, title to the Hospital's portion of the parking deck will be transferred to the Hospital. At June 30, 2012, the estimated present value of the Hospital sublease over the full lease term, including renewal periods, amounted to $4.6 million ($5.1 million in 2011). Payments required under the lease and agreement between the university and the Housing Authority are in no way conditional upon the receipt of payments from the Hospital under the sublease and agreement.

Certificates of Participation, Series 2004

Pursuant to an Agent Agreement, dated April 1, 2004, between the university, as Lessee, Lower George Street University Redevelopment Associates, LLC, a New Jersey limited liability company, as Lessor, and Wachovia Bank, National Association (now known as Wells Fargo Bank, National Association), as Agent, Certificates of Participation were issued in the amount of $30.6 million on April 15, 2004. The Certificates of Participation represent undivided proportionate interests in the fixed rent payable by the university pursuant to the Master Lease Agreement, dated April 1, 2004, between the Lessee and Lower George Street University Redevelopment Associates, LLC. The university is obligated under the Lease to make payments of fixed rent that comprise amounts designated as interest and as principal and that are payable to the owners of the 2004 Certificates. The 2004 Certificates are being issued to finance the acquisition of the land, the preparation of the land for construction, including demolition and clearing of existing improvements, and the construction of improvements and costs of acquisition and installation of equipment. This area will primarily serve as the university's Division of Public Safety headquarters, provide additional office space for the university and provide a parking garage, all to support the university's educational functions. In addition, the 2004 Certificates are to provide for capitalized interest on the 2004 Certificates from the dates of delivery to July 1, 2005 and to pay the costs of issuance associated with the authorization, sale, execution and delivery of the 2004 Certificates. At June 30, 2012, the university had a capital lease obligation of $27.3 million ($27.8 million in 2011).

Future lease payments (receipts) applicable to the aforementioned capital leases at June 30, 2012 are as follows (dollars in thousands):

	Facilities Authority						
Year	HECIP	DSTF (2001A)	DSTF (2001B)	Housing Authority	Hospital Sublease	Certificates of Participation	Total
2013	$4,457	$2,040	$33	$4,044	($718)	$1,860	$11,716
2014	4,462	2,039	33	4,052	(719)	1,860	11,727
2015	4,458	2,040	32	4,053	(719)	1,864	11,728
2016	4,456	2,040	32	4,051	(719)	1,861	11,721
2017	4,456			4,048	(718)	1,860	9,646
2018-2022	23,877			12,151	(2,156)	9,280	43,152
2023-2027	6,063					9,262	15,325
2028-2032						9,217	9,217
2033-2037						9,180	9,180
2038-2042						1,829	1,829
Total Lease Payments	52,229	8,159	130	32,399	(5,749)	48,073	135,241
Less Amount Representing Interest	12,580			6,224	(1,136)	20,793	38,461
Present Value of Lease Payments	$39,649	$8,159	$130	$26,175	($4,613)	$27,280	$96,780

Miscellaneous Equipment Leases

The university has entered into certain lease-purchase agreements for equipment which are principally for a duration of one to five years depending on the application and financial advantage to the university. Such agreements are essential to the normal operation of the university, and it is expected that these arrangements, where applicable, would be renegotiated when financially advantageous. The following represents the book value of the university's equipment capital leases at June 30, 2012 and 2011 (dollars in thousands):

	2012	2011
Cost	$8,212	$8,212
Accumulated Depreciation	(4,842)	(3,630)
Net Book Value	$3,370	$4,582

The payments of these agreements include a charge for interest at various rates depending on each agreement. At June 30, 2012, the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is approximately $2.5 million ($4.1 million in 2011). The annual rentals for these capitalized lease obligations are provided for in the university's operating budget.

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

The university is party to derivative financial instruments (interest rate swaps) that are reported at fair value on the statements of net assets.

Objective of the swaps:
The university has entered into four separate pay-fixed, receive-variable interest rate swaps in order to protect against adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain.

For the years ended June 30, 2012 and 2011, the university had the following derivative instruments outstanding (dollars in thousands):

Derivative Instrument	Type	Objective	Notional Amount	Effective Date	Termination Date	Terms	2012 Fair Value	Change in Fair Value
JP Morgan & Co.	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2002 Series A	$57,300	2/4/2002	5/1/2018	Pay 3.96%; receive SIFMA swap index	($6,864)	($89)
Merrill Lynch	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Commercial Paper (GOCP) Series A, B, C and GOB 2009 Series G	100,000	5/1/2008	11/1/2038	Pay 4.08%; receive 100% USD-LIBOR-BBA (3 mo)	(31,367)	31,388
Bank of New York	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2009 Series G	18,980	5/1/2007	5/1/2027	Pay 3.82%; receive SIFMA swap index	(3,564)	1,689
Bank of New York	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Commercial Paper (GOCP) Series A and C	13,500	3/1/2012	11/1/2017	Pay 5.13%; receive 100% USD-LIBOR-BBA (1 mo)	(2,894)	734
Total			$189,780				($44,689)	$33,722

Derivative Instrument	Type	Objective	Notional Amount	Effective Date	Termination Date	Terms	2011 Fair Value	Change in Fair Value
JP Morgan & Co.	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2002 Series A	$61,400	2/4/2002	5/1/2018	Pay 3.96%; receive SIFMA swap index	($6,953)	$163
Merrill Lynch	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Commercial Paper (GOCP) Series A, C and GOB 2009 Series G	100,000	5/1/2008	11/1/2038	Pay 4.08%; receive 100% USD-LIBOR-BBA (3 mo)	21	7,173
Bank of New York	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2009 Series G	19,720	5/1/2007	5/1/2027	Pay 3.82%; receive SIFMA swap index	(1,875)	177
UBS	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Commercial Paper (GOCP) Series C	13,500	5/1/2007	11/1/2017	Pay 5.13%; receive 100% USD-LIBOR-BBA (1 mo)	(2,160)	185
Total			$194,620				($10,967)	$7,698

Fair Value:
As of June 30, 2012, the swaps had a total negative fair value of $44.7 million (negative fair value of $11.0 million in 2011). The fair value was provided by Prager, Sealy & Co., LLC and derived from proprietary models based on estimates about relevant future market conditions. As these are hedging derivatives, the aggregate change in fair value is reported as deferred outflows (for the swaps in a liability position) and deferred inflows (for the swaps in an asset position) in the statements of net assets.

Credit Risk:
As of June 30, 2012, the university was not exposed to credit risk with JP Morgan, Bank of New York and Merrill Lunch because all of the swaps had negative fair values. As of June 30, 2011, the university was not exposed to credit risk with JP Morgan, Bank of New York, and UBS because the swaps had negative fair values. However, the university was exposed to credit risk in the amount of Merrill Lynch's fair value. The credit ratings for each of the counterparties are as follows:

Derivative Instrument	2012 Counterparty Credit Rating	2011 Counterparty Credit Rating
JP Morgan & Co.	A+	AA–
Merrill Lynch	A–	A
Bank of New York - SIFMA	AA–	AA
Bank of New York - LIBOR	AA–	
UBS		A+

In fiscal 2012, UBS requested that the university accept an assignment of our swap to the Bank of New York. Since the swap resulted in a swap with a higher rated counterparty and it was negotiated at no cost to the university, the university agreed to the assignment.

The mark-to-market value of the swap will not require collateralization unless (i) the Qualified Swap Provider is downgraded by a nationally recognized rating agency below the two highest grade categories, and (ii) the market value of the swap exceeds the current collateralization threshold specified in the respective Agreement. Any such collateral shall consist of direct obligations of, or obligations which are guaranteed by, the United States of America or other securities weighted to take into account their relative security compared to such obligations of the United States of America. The amount of (i.e., value of) such collateral shall equal the market value of the swap in excess of the applicable collateral threshold based on the rating of such counterparty at such time. The table below shows when collateralization would be required or triggered.

Ratings by Moody's and S&P	Counterparty Collateral Threshold
AAA/Aaa	Infinite
Aa3/AA–	Infinite
A1/A+	$20.0 million
A2/A	$10.0 million
A3/A–	$10.0 million
Baa1/BBB+	$5.0 million
Baa2/BBB	$5.0 million
Baa3/BBB–	Zero
Below Baa3/BBB– or not rated	Zero

In the table above, a Counterparty is not obligated to provide collateral if it has a credit rating in the highest two categories regardless of the mark-to market value of the swap. Collateralization would be required, for example, if the Counterparty was rated "A2/A" and the mark-to-market value of the swap exceeded $10.0 million. In this example, the collateral required would be equal to the amount by which the mark-to market value of the swap exceeds $10.0 million. Rutgers is subject to the same collateral requirements as the counterparty.

If either S&P or Moody's ceases to be in the business of rating debt securities and such business is not continued by a successor, a nationally recognized credit rating agency would be selected in substitution.

Basis Risk:
The pay-fixed receive-variable swaps expose the university to basis risk because the rates resulting from the Securities Industry and Financial Markets Association Index (SIFMA), for the GOB 2002 Series A and the GOB Series 2009 G swaps, 100% of USD-LIBOR-BBA (1 month and 3 month) for GOB Series 2009 G, GOCP Series A, B and C swaps are not the same rate the university pays on the hedged debt. The rates on the bonds are calculated daily by the remarketing agent, and for the commercial paper by a broker/dealer, at the lowest rate necessary to clear the market.

Rollover Risk:
The university is exposed to rollover risk on swaps only if the counterparty exercises its termination option, in which case the university will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Termination Risk:
The university or any of the involved counterparties may terminate any of the swaps if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate debt issue would no longer carry a synthetic fixed interest rate. Also, if at termination a swap has a negative fair value, the university would be liable to the appropriate counterparty for a payment equal to the swap's fair value.

The JP Morgan & Co. swap has an optional termination provision in which they will have the right, but not the obligation to terminate the swap transaction in whole on each day that the daily weighted average of the Municipal Swap Index for any immediately preceding rolling consecutive 180 day period within the exercise period is more than 7.0% per annum. The exercise period began on November 1, 2004 and is up to, but excluding, the termination date of May 1, 2018. The date on which JP Morgan exercises its right to terminate the transaction is defined as the optional termination date. If JP Morgan exercises its right to terminate the transaction, the university shall pay two business days after the optional termination date the fixed amount for the period from and including the last fixed rate payer payment date to but excluding the optional termination date, and JP Morgan will pay two business days after the optional termination date the floating amount for the period from and including the last floating rate payer payment date to but excluding the optional termination date. Upon payment and receipt of these amounts, neither party shall have any further payment obligations related to this transaction.

NOTE 11 – COMMITMENTS

At June 30, 2012, the estimated cost of capital projects under construction, in the design stage with approved sources of funding, and in the design stage pending determination of sources of funding, aggregated approximately $637.8 million. Anticipated sources of funding for these projects are summarized as follows (dollars in thousands):

	Total Project Funding		
	Received at June 30, 2012	**Additional Funding Required at June 30, 2012**	**Estimated Total Cost**
Borrowing	$311,031	$221,160	$532,191
Gifts and Other Sources	96,726	8,911	105,637
Total	$407,757	$230,071	$637,828

The university leases certain space used in general operations. Rental expense was approximately $4.9 million in 2012 ($6.6 million in 2011). The leases are non cancelable and have been classified as operating leases which are expected to expire through 2032. Minimum annual rental commitments approximate the following (dollars in thousands):

Year	Amount
2013	$5,251
2014	3,423
2015	2,793
2016	1,830
2017	1,469
2018-2022	1,567
2023-2027	310
2028-2032	67
Total	$16,710

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NOTE 12 – NATURAL EXPENSES BY FUNCTIONAL CLASSIFICATION

The university reports operating expenses by functional classification. Details of these expenses by natural classification at June 30, 2012 and 2011 are as follows (dollars in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	2012 Total
Instruction	$464,846	$119,693	$101,905		$686,444
Sponsored Research	96,560	23,246	102,174		221,980
Other Separately Budgeted Research	44,062	13,239	16,954		74,255
Other Sponsored Programs	38,538	10,365	39,924		88,827
Extension and Public Service	24,880	6,778	7,628		39,286
Libraries	20,676	5,193	13,595		39,464
Student Services	36,522	10,985	38,649		86,156
Operation & Maintenance of Plant	58,087	14,565	66,716		139,368
General Administrative and Institutional	72,486	19,943	30,786		123,215
Scholarships and Fellowships	4,239	48	41,370		45,657
Depreciation				$104,393	104,393
Auxiliary Enterprises	96,727	26,261	120,019		243,007
Other Operating Expenses			1,910		1,910
Total Operating Expenses	$957,623	$250,316	$581,630	$104,393	$1,893,962

	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	2011 Total
Instruction	$442,353	$115,647	$90,102		$648,102
Sponsored Research	91,526	20,928	101,396		213,850
Other Separately Budgeted Research	44,395	12,201	12,258		68,854
Other Sponsored Programs	41,103	10,008	36,945		88,056
Extension and Public Service	22,528	6,174	7,738		36,440
Libraries	19,784	5,105	12,176		37,065
Student Services	36,748	9,774	24,299		70,821
Operation & Maintenance of Plant	55,073	14,156	72,015		141,244
General Administrative and Institutional	67,802	18,828	20,113		106,743
Scholarships and Fellowships	467	77	42,993		43,537
Depreciation				$93,733	93,733
Auxiliary Enterprises	82,706	22,923	110,192		215,821
Other Operating Expenses			1,952		1,952
Total Operating Expenses	$904,485	$235,821	$532,179	$93,733	$1,766,218

NOTE 13 - EMPLOYEE BENEFITS

Retirement Plans

The university has primarily two retirement plans available to its employees, the State of New Jersey Public Employees Retirement System, a defined benefit plan, and the Alternate Benefit Program, a defined contribution plan. Under these plans, participants make annual contributions, and the State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the university for these plans. Pension expense paid directly by the State of New Jersey for 2012 aggregated $49.8 million ($43.3 million in 2011) of which $7.2 million ($7.0 million in 2011) has been reimbursed to the State from amounts recovered from self-supporting operations and sponsored programs. Reimbursement is based upon a composite fringe benefit rate provided by the State for all State plans. The university is charged for contributions on behalf of employees through a fringe benefits charge assessed by the State which is included within the state paid fringe benefits in the accompanying statements of revenues, expenses, and changes in net assets. The university has no direct pension obligation associated with the State plans, and no liability for such costs has been reflected in the accompanying financial statements. Summary information regarding these plans is provided below.

Public Employees Retirement System (PERS)

Plan Description — PERS is a multiple-employer, public cost-sharing retirement system which is administered by the State of New Jersey under the provisions of N.J.S.A. 43:15A. The payroll for employees covered by PERS for the year ended June 30, 2012 was $163.4 million ($165.1 million in 2011).

University employees of a certain classification are required as a condition of employment to be members of PERS. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of membership service or the three highest fiscal years, whichever provides the largest benefit. Pension benefits fully vest on reaching ten years of credited service. Members enrolled in PERS prior to November 2, 2008, are eligible for retirement at age 60 with no minimum years of service required. Members enrolled in PERS on or after November 2, 2008, are eligible for retirement at age 62 with no minimum years of service required. Members enrolled in PERS prior to July 1, 2007, who have 25 years or more of credited service may also select early retirement without penalty at age 55 and receive full retirement benefits. Members enrolled in PERS on or after July 1, 2007, may select early retirement with an allowance reduction for each month prior to the normal retirement age as specified by the NJ Division of Pensions and Benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Members enrolled in PERS after May 21, 2010, must work 35 hours or more per week. An employee is eligible for PERS membership based upon only one position and requires the retirement system to designate the position providing the higher or highest compensation for the member from among any concurrently held positions. This position will be used as the basis for eligibility for membership, service credit, the compensation base for pension contributions, and for other pension calculations. The formula and definition of compensation to be used to calculate service, early and deferred retirement for these members changes as well. The formula for service, early and deferred retirement will be calculated as years of service, divided by 60, times the final average salary. Final average salary means the average annual compensation for the last five years of service, or any five fiscal years of membership that provide the largest possible benefit to the member or the member's beneficiary. This definition will also be used to calculate survivor pension benefits and death benefit payments, when available, to beneficiaries. The PERS members are eligible for retirement at age 62 with no minimum years of service required.

Members enrolled in PERS on or after June 28, 2011, are eligible for retirement at age 65 with no minimum years of service. The annual allowance is equal to years of service divided by 60, times the final annual average salary. Final average salary means the average salaries received by the member for the last five years (50 months for 10-month employees) of membership or the five highest fiscal years, whichever provides the largest benefit. Pension benefits fully vest on reaching 10 years of credited service.

Contributions — Covered university employees were required by PERS to contribute 6.5% of their annual compensation during fiscal year 2012 (5.5% of their annual compensation during fiscal year 2011). The State contributes the remaining amounts necessary to pay benefits when due. The State contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State's annual contribution approximates the actuarially determined pension cost for the year. Employers were not required to contribute in 2012 and 2011 due to legislation enacted in 1997 by the State, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the university are established and may be amended by the state.

Employees can also make voluntary contributions to two optional State of New Jersey tax-deferred investment plans, the Supplemental Annuity Collective Trust (SACT) and the Additional Contributions Tax Sheltered (ACTS) programs. Both plans are subject to limits within the Internal Revenue Code.

Financial statements for the PERS are included in the State of New Jersey's Comprehensive Annual Financial Report, which may be obtained by writing to the State of New Jersey, Department of the Treasury, Office of Management and Budget, PO Box 221, Trenton, NJ 08625-0221.

Alternate Benefit Program (ABP)

Plan Description — ABP is a multiple-employer, defined contribution State retirement plan established as an alternative to PERS. The payroll for employees covered by ABP for the year ended June 30, 2012 was $548.4 million ($526.3 million in 2011).

Faculty, part-time lecturers, professional and administrative staff, and certain other salaried employees are eligible to participate in ABP. Employer (State) contributions vest on reaching one year of credited service. The program also provides long-term disability and life insurance benefits. Benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in ABP.

Contributions — The employee mandatory contribution rate for ABP is 5.0% of base salary and is matched by the State at 8.0% of base salary. Contributions can be invested with up to six investment carriers available under the plan for fiscal year 2012. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code. Employer contributions for the year ended June 30, 2012 were $43.9 million ($42.1 million in 2011). Employee contributions for the year ended June 30, 2012 were $28.6 million ($26.3 million in 2011).

Effective July 1, 2010, Governor Christie signed Chapter 31, P.L. 2010 into law, which only allowed employer contributions to the Alternate Benefits Program (ABP) for salaries up to $141,000. In response to this state imposed limit, the university established the Alternate Benefits Program and Trust. Through this program, the university continues to make the full 8% employer ABP contributions for salaries in excess of $141,000, up to the Federal IRC Annual Compensation limit ($250,000 for 2012).

Other Retirement Plans

The university has a small number of employees enrolled in the State of New Jersey Police and Firemen's Retirement System (PFRS) and two Federal retirement plans, the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). All three of the plans are defined benefit plans and cover the university's police (PFRS) and selected positions related to the university's Cook College/New Jersey Agricultural Experiment Station (CSRS or FERS). The university also has a small number of Rutgers University Foundation employees enrolled in a contributory retirement plan under arrangements with Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), which provides for the purchase of annuities for the covered employees. The university has a small number of employees enrolled in the Defined Contribution Retirement Program (DCRP). The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees who are ineligible for PERS and PFRS, because the hours of work are fewer than those required for PERS and PFRS membership, are eligible for enrollment in the DCRP provided the annual salary is $5,000 or higher. Employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; and employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary (indexed annually) for PERS Membership but who earn a salary of at least

$5,000 annually, are eligible to enroll in the DCRP. Eligible employees contribute 5.5% of base salary and the employer match is 3% of base salary. Participation in all of these plans is limited, and the associated amounts are not significant.

Deferred Compensation Plan

University employees with membership in PERS, ABP or PFRS are eligible to participate in the State of New Jersey's Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to elect pre-tax and/or after-tax Roth contributions to invest a portion of their base salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by Prudential Financial. The plan does not include any matching employer (State) contributions. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights, are held in trust by the State for the exclusive benefit of the participating employees and their beneficiaries.

Postemployment Benefits Other Than Pension

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the university's retired employees, in accordance with State statutes. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State of New Jersey's mandatory pension plans. Employees retiring with 25 years of service credited after June 30, 1997 may share in the cost of the health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State and the retired employees, the amounts are not available to the university and no expenses or liabilities for these benefits are reflected in the university's financial statements.

Additional detailed information about these programs is provided in the State of New Jersey's Comprehensive Annual Financial Report.

NOTE 14 - COMPENSATED ABSENCES

The university accounts for compensated absences as directed by GASB Statement No. 16, *Accounting for Compensated Absences*. A liability for compensated absences (i.e. unused vacation, sick leave, and paid leave bank days) attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The university recorded a liability for accumulated vacation time in the amount of $39.0 million at June 30, 2012 ($38.3 million in 2011). The liability is calculated based upon employees' accrued vacation time as of the statements of net assets date and is recorded in accounts payable and accrued expenses in the accompanying statements of net assets.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The pay out to retirees for unused accumulated sick time is calculated at the lesser of ½ the value of earned time or $15,000. Employees separating from the university service prior to retirement are not entitled to payments for accumulated sick leave balances. The university recorded a liability for accumulated sick leave balances in the amount of $13.4 million at June 30, 2012 ($8.2 million in 2011) which is included in noncurrent accounts payable and accrued expenses in the accompanying statements of net assets.

The university also recorded a liability for paid leave bank days in the amount of $4.2 million at June 30, 2012 ($6.1 million in 2011), which is included in noncurrent accounts payable and accrued expenses in the accompanying statement of net assets. Employees began using these days on July 1, 2010, and may continue for the duration of employment with the university. Once these days are exhausted, the employee will not be eligible for any additional days.

NOTE 15 - RISK MANAGEMENT

The university, jointly with 15 other higher education institutions, has established Genesis Ltd. a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda. Genesis, a Captive Reinsurance Company, reinsures general liability, professional liability, and automobile liability risks of its shareholders. The university has approximately a 16.8% equity ownership of Genesis and receives a pro-rata share of the income generated. The university's annual premium payments to the company for insurance coverage are based on actuarial studies and are charged to expenses. The insurance policies have deductibles that vary by policy, the most significant of which provides for the payment of general liability claims.

In 2004, the university and its 15 partners formed a Vermont Reciprocal Risk Retention Group, Pinnacle Consortium of Higher Education, to further enhance and support the insurance programs and provide fronting services for Genesis. The primary purpose of this second alternate risk funding company is to reduce costs, reduce collateral requirements for Genesis and provide the flexibility to conduct business in the U.S.

The university is self-insured for workers compensation and retains various deductibles for general liability, automobile liability, and all risk property insurance. The total liability at June 30, 2012 for these items is $14.0 million ($13.2 million in 2011). The reserve balance recorded at June 30, 2012 is $15.9 million ($14.0 million in 2011). No discount rate is used. The self insurance reserve represents the estimated ultimate cost of settling claims and related expenses resulting from events that have occurred. The reserve includes the amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported (IBNR).

The university has accrued expenses for deductibles and incurred but not reported liabilities in the statements of net assets. The accrued expenses are based on estimates by management and third party claims administrators and generally represent the present value of the unpaid claims including the estimates for claims incurred but not reported.

NOTE 16 - CONTINGENCIES

The university is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the university's financial statements.

The university receives funds from federal, state and private agencies under grants and contracts for research, training and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and possible disallowance by the sponsoring agency. It is the university's belief that any disallowances or adjustments would not have a significant effect on the university's financial statements.

On October 21, 2011, the university entered into a Master Lease Agreement with Key Government Finance, Inc. as part of the financing of the Solar Canopy Project on the Livingston Campus. The pricing terms, including financing of approximately $29.3 million, is expected to be finalized in fiscal year 2013.

NOTE 17 – ONE WASHINGTON PARK

In September 2006, the university's Board of Governors authorized the negotiation and execution of a contract of purchase and sale and arrangement for construction financing for the Rutgers Newark Business School's relocation to One Washington Park, Newark, New Jersey, where space will be consolidated for faculty offices and classrooms. The building will be converted into a condominium in which 11 floors of the building along with a proposed 15,000 square foot addition to be located at grade level will be reconstituted as the Rutgers Business School space.

The overall project budget includes the following: (i) the acquisition of the Rutgers Business School Space, (ii) the construction costs needed to build out the interior and exterior of such space, (iii) the construction costs needed to improve and repair certain common elements and common building systems in the building, (iv) the fee required under the Architect's Contract, and (v) other non-construction related costs. The overall project cost is expected to be $83.0 million. Funding for this project will be coming from several sources, particularly, in fiscal year 2006, the State of New Jersey made a special appropriation to the university in the amount of $18.0 million earmarked specifically for the Business School. The university is also participating in the New Markets Tax Credit (NMTC) program administered by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI) and will enter into a transaction with City National Bank of New Jersey, PNC Bank, National Community Investment Fund, and New Jersey Community Capital, also known as a Community Development Entity (CDE). The NMTC compliance period will end as of December 1, 2014. Once the transaction is complete, the university will control the property indirectly through its blended component units, Parkside RUN Investments, LLC and QALICB.

On October 15, 2009, the new home of the Rutgers Business School at One Washington Park was officially opened. Classes began in the facility at the start of the 2009 fall semester. The building houses Rutgers Business school classes, faculty and staff offices, departments, centers, and a police substation for added security.

NOTE 18 – SUBSEQUENT EVENTS

On August 22, 2012, Governor Chris Christie signed the New Jersey Medical and Health Sciences Education Restructuring Act (Chapter 45, P.L. 2012), which was passed by the New Jersey Senate and Assembly on June 28, 2012. This act integrates all units of UMDNJ, except University Hospital in Newark and the School of Osteopathic Medicine in Stratford, into Rutgers effective July 1, 2013.

On December 15, 2010, the university entered into a lease agreement with Somerset Street Urban Renewal Associates, LLC for the Gateway Transit Village Property, which comprises the Rutgers University Bookstore, Rutgers University Press, as well as common areas. The commencement date of the lease shall be the date of substantial completion which occurred in fiscal year 2013 and shall be for a period of 30 years. The university began rent payments on October 1, 2012 in the amount of $0.4 million and will continue to make such payments in quarterly installments on the first day of each January, April, July and October of each calendar year during the term of the lease. For lease years 1-7, annual lease payment amounts will be $1.4 million, and for lease years 8-30, annual lease payment amounts will be $1.7 million. Rutgers will have the option to purchase all of the right, title and interest of the property prior to the expiration of the lease.

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Phillip L. Yeagle, Ph.D.
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Stephen J. DiPaolo, M.B.A., C.P.A.
University Controller

APPENDIX B-2

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY (A COMPONENT UNIT OF THE STATE OF NEW JERSEY) AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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University of Medicine and Dentistry of New Jersey

(A Component Unit of the State of New Jersey)

Consolidated Financial Statements

June 30, 2012 and 2011

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Report of Independent Auditors

To the Board of Trustees of the
University of Medicine and Dentistry of New Jersey

We have audited the consolidated statements of net assets of the University of Medicine and Dentistry of New Jersey, a component unit of the State of New Jersey (the "University"), and the related consolidated statements of revenues, expenses and changes in net assets, and of cash flows of the business-type activities as of and for the years ended June 30, 2012 and 2011, and the statements of net assets of the aggregate discretely presented component units, and the related statements of revenues, expenses and changes in net assets as of and for the years ended June 30, 2012 and 2011, which collectively comprise the University's basic financial statements (as listed in the accompanying index). These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the New Jersey Health Foundation, Inc. or the Cancer Institute of New Jersey Foundation, Inc., both discrete component units of the University, whose statements, when aggregated, reflect total discrete assets of 87% and 89% and total discrete net assets of 97% and 98% of the related aggregate discretely presented component unit totals as of June 30, 2012 and 2011, respectively, and total discrete operating revenues of 21% and 21% of the related aggregate discretely presented component unit totals for the years ended June 30, 2012 and 2011, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the New Jersey Health Foundation, Inc. and the Cancer Institute of New Jersey Foundation, Inc. is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

As described in Note 3 to the basic financial statements, the financial statements of the University Physician Associates of New Jersey, Inc, a discretely presented component unit of the University, were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the effects of which are not practicable to quantify; however, the departures from generally accepted accounting principles are material to the aggregate discretely presented component units.

In our opinion, the consolidated financial statements of the business-type activities of the University referred to above present fairly, in all material respects, the financial position of the business-type activities of the University at June 30, 2012 and 2011, and their changes in financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Also, in our opinion, based on our audits and the reports of other auditors, except for the departure from accounting principles generally accepted in the United States of America described in the third paragraph of this report, the financial statements of the aggregate discretely presented component units of the University referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the University at June 30, 2012 and 2011, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Governor of New Jersey signed the New Jersey Medical and Health Sciences Restructuring Act (the "Act") which integrates the University, except for University Hospital ("UH") and the School of Osteopathic Medicine ("SOM") into Rutgers University ("Rutgers"). The Act will take effect on July 1, 2013. The Act indicates that UH will become a free standing institution of the State of New Jersey, while SOM is to be integrated into Rowan University ("Rowan").

The accompanying management's discussion and analysis on pages 3 through 13 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The accompanying supplementary information for the Piscataway and Newark Centers of University Behavioral HealthCare presented on pages 60-61 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the Piscataway and Newark Centers of University Behavioural HealthCare is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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PricewaterhouseCoopers LLP

October 23, 2012

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Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position of the University of Medicine and Dentistry of New Jersey (the "University" or "UMDNJ") as of June 30, 2012 and its results of operations for the year then ended, with comparative information as of and for the years ended June 30, 2011 and 2010. This discussion and analysis has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

The University is the State's university of the health sciences, with programs at five academic health center campuses and a network of more than 200 affiliated educational and healthcare partners throughout the State. The University operates three medical schools, a dental school, a teaching hospital, behavioral healthcare centers, a cancer institute and schools of biomedical sciences, health related professions, nursing and public health and several faculty practice plans.

The University is dedicated to the pursuit of excellence in:

- The undergraduate, graduate, postgraduate and continuing education of health professionals and scientists;
- The conduct of biomedical, psychosocial, clinical and public health research;
- Health promotion, disease prevention and the delivery of health care; and
- Service to its communities and the State.

The University has approximately 7,000 full and part time students, 1,400 medical interns and residents and 14,200 faculty and staff.

UMDNJ Restructuring

On August 22, 2012, the Governor of New Jersey signed the New Jersey Medical and Health Sciences Restructuring Act (the "Act"), which integrates the University, except for University Hospital ("UH") and School of Osteopathic Medicine ("SOM"), into Rutgers University ("Rutgers"). The Act indicates that UH will become a free standing institution of the State, while SOM is to be integrated into Rowan University ("Rowan"). All assets, liabilities and debt of the University will be transferred as part of the integration. A School of Biomedical and Health Sciences will be created at Rutgers that will include all transferred units of the University.

UH will remain the principal teaching hospital for the Newark based medical, dental and nursing schools and its community mission will be preserved, with a goal of establishing a long term public/private partnership to manage UH.

The Act shall take effect on July 1, 2013 and apply to the 2013-2014 academic year, but anticipatory administrative action may be taken in advance of the operative date as shall be necessary for the implementation of the legislation. The Act indicates that the State Treasurer shall establish a Transition Committee to advise him regarding all matters pursuant to the Act, including debt issues, the allocation of budgets, state appropriations and other matters. Upon advice of the Committee or its subcommittees, the State Treasurer shall be empowered to take all necessary administrative actions to implement the provisions of the Act.

The University, Rutgers and Rowan are working in a collaborative manner to accomplish the integration and have established teams to identify and address matters associated with the integration.

Financial Highlights

The University's financial position reflects total assets of $1.5 billion and total liabilities of $1.0 billion as of June 30, 2012. Net assets, which represent the residual interest in the University's assets less liabilities and indicate the resources available to continue the operations of the University in accordance with the designation of the assets, increased by $0.7 million, or 0.1%, to $484.2 million in 2012. This increase is primarily related to higher tuition and fees and the discount resulting from a Medicaid settlement agreement, which offset lower appropriation revenues. In 2011, net assets increased by $0.5 million, or 0.1%, primarily due to higher tuition and fees revenues.

Operating revenues increased by $18.3 million, or 1.3%, to $1.4 billion in 2012, reflecting higher tuition and fees, net patient service revenues and professional services and contracts revenues, partially offset by lower grants and contracts. Operating expenses increased by $24.1 million, or 1.4%, to $1.8 billion in 2012, due to higher salaries and fringe benefits.

Operating revenues increased by $12.1 million, or 0.9%, to $1.4 billion in 2011, reflecting higher tuition and fees, and net patient service revenues, partially offset by lower grants and contracts. Operating expenses decreased by $44.8 million, or 2.5%, to $1.8 billion in 2011, due to lower salaries, fringe benefits and supply costs.

State appropriations – operations decreased by $8.7 million, or 4.0%, to $205.9 million in 2012, reflecting a decrease in support for the educational units. Fringe benefits paid by the State increased by $20.8 million, or 11.3%, to $204.7 million in 2012 due to an effective 1.9% rate increase and an increase in corresponding salaries.

State appropriations – operations decreased by $47.8 million, or 18.2%, to $214.6 million in 2011, reflecting a decrease in support for UH operations and the educational units. Fringe benefits paid by the State decreased by $9.0 million, or 4.7%, to $183.9 million in 2011 due to a decrease in corresponding salaries.

Consolidated Financial Statements

The University's audited consolidated financial statements include the statements of net assets, statements of revenues, expenses and changes in net assets and statements of cash flows, which have been prepared in accordance with Governmental Accounting Standards Board accounting principles. The consolidated financial statements include the University's schools, health care units, faculty practice plans, lease holding corporation and auxiliary enterprises.

Consolidated Statements of Net Assets

The Consolidated Statements of Net Assets present the financial position of the University at the end of the fiscal year and include all assets and liabilities of the University. Net assets represent the residual interest in the University's assets after liabilities are deducted. Net assets are one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or deteriorated during the year.

Net assets are divided into four categories. Net assets invested in capital, net of related debt, represent the University's equity in capital assets owned by the University. Restricted expendable net assets primarily include research grants, appropriations, debt service and capital project funds that are subject to donor restrictions governing their use. Restricted nonexpendable net assets represent endowment funds, which are used primarily for investment purposes, and government grants for student loans. Unrestricted net assets are available to the University for general purposes, but may be internally designated for various academic and healthcare programs.

A summary of the University's assets, liabilities and net assets as of June 30, 2012, 2011, and 2010 follows:

(In millions)	**2012**	**2011**	**2010**
Assets			
Current assets			
Cash and cash equivalents	$ 184.4	$ 196.6	$ 192.8
Receivables	300.8	265.8	261.3
Assets held by trustees and other	37.9	37.7	31.3
Noncurrent assets			
Endowment and other investments	21.1	20.9	23.9
Assets held by trustees and other	108.8	109.6	107.6
Capital assets, net	862.0	895.5	933.7
Total assets	1,515.0	1,526.1	1,550.6
Liabilities			
Current liabilities	319.4	350.1	364.3
Noncurrent liabilities	711.4	692.5	703.3
Total liabilities	1,030.8	1,042.6	1,067.6
Net assets			
Invested in capital, net of related debt	282.5	304.9	336.5
Restricted expendable	162.9	155.4	158.8
Restricted nonexpendable	67.3	66.5	60.8
Unrestricted	(28.5)	(43.3)	(73.1)
Total net assets	$ 484.2	$ 483.5	$ 483.0

In 2012, the decrease in cash and cash equivalents of $12.2 million was primarily due to lower State appropriations and an increase in receivables.

In 2011, the increase in cash and cash equivalents of $3.8 million was primarily due to improved financial results and tight fiscal controls, which offset the decrease in State appropriations.

Receivables increased by $35.0 million in 2012, primarily due to amounts owed by affiliated hospitals and the State of New Jersey Department of Corrections ("DOC") for services rendered. In 2011, receivables increased by $4.5 million.

Assets held by trustees and other – current and noncurrent decreased by $0.6 million and increased by $8.4 million in 2012 and 2011, respectively, due to deposits with trustees for debt service payments.

Capital assets, net decreased by $33.5 million in 2012 and $38.2 million in 2011, as depreciation expense exceeded capital additions in each year.

Current liabilities consist primarily of accounts payable, accrued compensation and other liabilities and include $1.9 million and $55.7 million of amounts due to third party payors as of June 30, 2012 and 2011, respectively, related to healthcare cost report adjustments. In 2012, current liabilities decreased by $30.7 million, due to the reclassification of $35.2 million estimated third party payor settlements to noncurrent liabilities in accordance with the Medicaid settlement agreement. In 2011, current liabilities decreased by $14.2 million.

Noncurrent liabilities consist primarily of long-term debt and capital lease obligations. In 2012, noncurrent liabilities increased by $18.9 million, due to the reclassification described above. In 2011, noncurrent liabilities decreased by $10.8 million, due to long-term debt repayments.

The decreases in net assets invested in capital of $22.4 million and $31.6 million in 2012 and 2011, respectively, were due to depreciation expense, which exceeded capital additions and debt reductions.

In 2012, restricted expendable net assets increased by $7.5 million, primarily due to an increase in research and designated activity. In 2011, restricted expendable net assets decreased by $3.4 million, primarily due to debt service activity.

In 2012 and 2011, the deficit related to unrestricted net assets improved by $14.8 million and $29.8 million, respectively, primarily due to improved operating results.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

The Consolidated Statements of Revenues, Expenses and Changes in Net Assets present the University's results of operations.

A summary of the University's revenues, expenses and changes in net assets for the years ended June 30, 2012, 2011 and 2010 follows:

(In millions)	2012	2011	2010
Operating revenues			
Tuition and fees, net	$ 126.4	$ 115.9	$ 96.8
Governmental and private grants and contracts	296.0	318.6	329.2
Net patient service revenues	528.3	517.7	505.9
Professional services and contracts	392.5	370.8	379.7
Other	59.4	61.3	60.5
Total operating revenues	1,402.6	1,384.3	1,372.1
Operating expenses	1,782.0	1,757.9	1,802.7
Operating loss	(379.4)	(373.6)	(430.6)
Nonoperating revenues (expenses)			
State appropriations - operations	205.9	214.6	262.4
Fringe benefits paid by the State	204.7	183.9	192.9
Affiliate grant	-	-	(10.6)
Interest expense and other	(35.3)	(30.5)	(35.7)
Total nonoperating revenues, net	375.3	368.0	409.0
Other revenues			
Capital grant	4.8	6.1	-
Increase (decrease) in net assets	0.7	0.5	(21.6)
Net assets - beginning of year	483.5	483.0	504.6
Net assets - end of year	$ 484.2	$ 483.5	$ 483.0

Revenues

To achieve its mission, the University receives revenues from a variety of sources in addition to its student tuition and fees, including research grants and contracts, patient services, professional services and contracts, state appropriations and investment income. The University will continue to aggressively seek funding from all possible sources and to manage these resources to fund its operating activities.

Operating revenues are revenues recognized by the University for providing goods and services directly to its customers and constituencies.

Nonoperating revenues as defined by GASB are those revenues recognized by the University for which goods and services are not provided in return for the revenues received. State appropriations, excluding State appropriations for capital, are nonoperating revenues because the State legislature provides the appropriations to the University without directly receiving commensurate goods and services for those revenues.

Academic Programs

Tuition and State appropriations are the primary sources of revenue for the University's academic programs. Tuition revenues increased by 9.1% and 19.7% in 2012 and 2011, respectively, due to an average rate increase of 4.9% and 16.0% and an increase in student enrollment of 3.1% and 6.7% in 2012 and 2011, respectively, which reflects the strong demand for the University's health related academic programs. The schools received State appropriations of $251.4 million and $251.2 million in 2012 and 2011, respectively, which included $92.1 million and $89.5 million of fringe benefits paid by the State.

Research Activities

Governmental and private grants and contracts revenues decreased by $22.6 million, or 7.1%, in 2012 due to lower recoveries of governmental grants and decreased by $10.6 million, or 3.2%, in 2011 due to the expiration of American Reinvestment and Recovery Act ("ARRA") grants.

Net Patient Service Revenues

Net patient service revenues relate to patient care services, which are generated within the University's hospital, behavioral healthcare and cancer activities, under contractual arrangements with governmental payors and private insurers. These revenues increased by $10.6 million in 2012, due primarily to the favorable impact of the June 2012 Medicaid settlement agreement with the State. The State established a long term repayment plan for $51.7 million of liabilities from 2013 through 2021, which resulted in a $14.5 million present value discount of the balances. The healthcare units received State appropriations of $159.0 million and $140.4 million in 2012 and 2011, respectively, which included $106.9 million and $93.5 million of fringe benefits paid by the State.

UH's net patient service revenues totaled $472.5 million in 2012, as compared to $461.4 million in 2011 and $450.9 million in 2010. UH is a major source of primary care and serves as the safety net hospital for the inner city municipalities of Newark, East Orange, Irvington and Orange. UH's role in the community is reflected in its payor mix and commitment to the medically indigent. It is by far the largest provider of charity care services in the state, and Medicaid and uninsured patients account for almost 60% of its gross revenues. As a result, UH must deal with the financial impact of revenue collections and reimbursements related to these patients and their payors.

The majority of UH's admissions are initially treated in the emergency/trauma department. Emergency room visits of 97,613 in 2012 remained virtually unchanged from 97,214 in 2011 which represented a 2% decrease from 2010. Inpatient discharges, which account for approximately 70% of UH's net patient service revenues, decreased by 6% to 18,573 in 2012, after a 1.8% decrease to 19,754 in 2011. Clinic visits, which generate outpatient revenues, decreased by 5.6% to 169,541 in 2012, after a decline of 10.6% to 179,659 in 2011.

The level of charity care services provided by UH represents approximately 25% of its patient case volume. Charity care funding from the State totaled $101.7 million in 2012, $100.0 million in 2011 and $92.8 million in 2010, and is projected to total $100.7 million in 2013. Charity care funding is based upon Medicaid reimbursement rates which have historically been in the range of 60 to 70% of cost. The level of charity care funding is critical to UH's financial results.

Professional Services and Contracts

Professional services and contracts revenues include the operations of faculty practice plans that generated revenues of $223.3 million in 2012, $216.8 million in 2011 and $222.7 million in 2010.

The largest portion of the contract activity involves University Behavioral Healthcare's ("UBHC") contract with the DOC for mental and physical health services for inmates that generated revenues of $138.4 million in 2012, $134.8 million in 2011 and $137.3 million in 2010.

State Appropriations-Operations

State appropriations-operations decreased by $8.7 million in 2012, reflecting decreased support for educational units. State appropriations-operations decreased by $47.8 million in 2011, reflecting decreased support for UH operations and the educational units.

The State's 2013 budget includes appropriations for the University totaling $200.2 million. The decrease of $5.7 million is related to the transfer of funding to Rowan for faculty support at an affiliated hospital.

Capital Grant

In 2010, the University was awarded a capital grant of $11.4 million related to capital improvements on its cogeneration plant and recognized revenues of $4.2 million in 2012 and $6.1 million in 2011 for this project, with the balance of $1.1 million expected to be recorded in 2013.

In 2010, the University was awarded an ARRA capital grant of $14.8 million related to capital improvements on New Jersey Medical School's vivarium and recognized revenues of $0.6 million in 2012 for this project, with the balance of $14.2 million expected to be recorded in 2013 and 2014.

Operating Expenses

Operating expenses are incurred by the University to acquire or produce goods and services in return for operating revenues generated to carry out its mission.

A summary of the University's operating expenses for the years ended June 30, 2012, 2011 and 2010 follows:

(In millions)	2012	2011	2010
Instruction	$ 184.6	$ 184.6	$ 183.2
Research	169.0	185.6	186.6
Public service	108.8	109.3	115.4
Institutional and administrative support	114.4	113.6	103.1
Patient care services	666.1	646.9	685.3
Professional services and contracts	359.3	341.1	345.1
Operation and maintenance of plant	53.7	56.6	55.6
Depreciation	67.1	68.3	70.8
Insurance	10.9	5.4	10.1
Other	48.1	46.5	47.5
Total	$ 1,782.0	$ 1,757.9	$ 1,802.7

The increase in operating expenses of $24.1 million, or 1.4%, in 2012 is primarily attributable to the increase in costs related to patient care services and professional services and contracts, partially offset by a decrease in research activity.

The overall increase in 2012 reflects increases in salaries and wages of $5.5 million and fringe benefits costs of $20.2 million. The increase in fringe benefits is primarily due to an effective 1.9% rate increase and an increase in corresponding salaries. UH's operating expenses increased by $10.2 million, or 2.0%, in 2012, due to an increase in fringe benefits expenses and supplies and services costs.

The decrease in operating expenses of $44.8 million, or 2.5%, in 2011 is primarily attributable to the decrease in costs related to patient care services.

The overall decrease in 2011 reflects decreases in salaries and wages of $17.2 million, fringe benefit costs of $10.7 million, supplies and services costs of $14.4 million and depreciation expense of $2.5 million. UH's operating expenses decreased by $28.3 million, or 5.2%, in 2011 as a result of operational improvements regarding staff reductions, physician compensation, supply efficiencies and lower utility costs.

Capital Assets and Debt Activities

It is the University's objective to manage its financial resources effectively. The University maintains debt ratings of Baa1 for its revenue bonds and Baa2 for its certificates of participation from Moody's Investors Service and A- from Fitch Ratings. The ratings reflect concerns about UH's financial performance and the University's level of liquidity.

All of the University's debt agreements are fixed rate agreements and their fair value approximates their carrying amounts.

As part of its mission, the University recognizes the importance of the development and renewal of its capital assets in order to meet the needs of its academic, research and clinical programs, subject to fiscal limitations due to its liquidity level.

Capital expenditures totaled $34.7 million in 2012, $33.5 million in 2011 and $18.8 million in 2010. The major capital activities in 2012 and 2011 were for equipment purchases and infrastructure improvements.

As of June 30, 2012, the University had $2,052.5 million invested in capital assets, which was reduced by $1,190.5 million of accumulated depreciation and $579.5 million of expended debt, resulting in net assets invested in capital of $282.5 million.

As of June 30, 2011, the University had $2,021.2 million invested in capital assets, which was reduced by $1,125.7 million of accumulated depreciation and $590.6 million of expended debt, resulting in net assets invested in capital of $304.9 million.

Consolidated Statements of Cash Flows

The Consolidated Statements of Cash Flows provide additional information about the University's financial results by reporting the major sources and uses of cash. The statements display net cash provided by or used in operating activities, noncapital financing activities, capital financing activities and investing activities.

A summary of the University's cash flows for the years ended June 30, 2012, 2011 and 2010 follows*:*

(In millions)	2012	2011	2010
Cash and cash equivalents (used in) provided by:			
Operating activities	$ (147.7)	$ (137.7)	$ (163.9)
Noncapital financing activities	209.7	216.7	238.5
Capital financing activities	(80.2)	(74.3)	(62.8)
Investing activities	6.0	(0.9)	28.4
Net (decrease) increase in cash	(12.2)	3.8	40.2
Cash and cash equivalents - beginning of year	196.6	192.8	152.6
Cash and cash equivalents - end of year	$ 184.4	$ 196.6	$ 192.8

Cash used in operating activities increased by $10.0 million in 2012 due to an increase in other receivables. Cash used in operating activities decreased by $26.2 million in 2011 due to higher tuition and fees and patient service revenues, which offset lower grant revenues.

Cash provided by noncapital financing activities decreased by $7.0 million and $21.8 million in 2012 and 2011, respectively, due to lower State appropriations revenues.

Cash used in capital financing activities increased by $5.9 million in 2012 and $11.5 million in 2011 due to a higher level of debt repayments in 2012 and purchases of capital assets in 2011.

Cash provided by investing activities increased by $6.9 million in 2012 due to the maturity of investments. Cash used in investing activities increased by $29.3 million in 2011 due to the net activity with assets held by trustees.

Cash, Cash Equivalents, Investments and Assets Held by Trustees

The University's cash and cash equivalents balance includes $114.5 million and $167.5 million of funds as of June 30, 2012 and 2011, respectively, which are invested in the State's cash management fund.

The majority of investments and assets held by trustees consist of U.S. treasuries and repurchase agreements, which are collateralized by U.S. government agencies, money market funds and common stock.

Outlook

The financial performance of the University related to its academic and research mission's remains solid and reflects growth in student demand, enrollment and tuition and improved operating results at UH. The University expects this growth in academic activities to continue, while its research growth is dependent upon the national trend of Federal research activity. Professional services and contracts activities have also experienced growth over the last few years.

State appropriations - operations are expected to decrease by approximately $5.7 million in 2013, based upon the final State budget, which reflects a transfer to Rowan for faculty support at an affiliated hospital. To address the budgetary uncertainty related to the level of State appropriations, the University continues to develop cost saving strategies that include reductions in the level of employees, supplies and services costs, purchasing improvements and to renegotiate affiliation agreements and commercial payor contracts. The University reassessed its tuition structure for 2013 in light of the expected level of State appropriations and increased the medical and dental school tuition rates by 5%. Tuition revenues are expected to increase by $7.0 million in 2013 from these rate increases and a projected growth in enrollment.

Growth in governmental and private grants and contracts is critical to the University's ability to attract faculty and scientists and enhance its academic reputation. Research funds are received from Federal, State and local governments and private sources, which generally provide for the recovery of direct and indirect costs. Research revenues are expected to decrease slightly in 2013 due to lower expense activity. The University faces challenges to maintain its growth in Federal research funding, while it expands its collaborative efforts with other state universities.

As a result of the tuition increases, the implementation of cost saving strategies and revenue initiatives, the University projects breakeven operating results for its academic and research missions in 2013, excluding the impact of depreciation expense.

UH continues to be faced with financial challenges. The favorable $14.5 million impact of the Medicaid settlement agreement with the State enabled UH to achieve a surplus from operations in 2012. In 2011 UH achieved a slight loss after a breakeven result in 2010. Since it is a safety net hospital and has a high level of uninsured and Medicaid patients UH must deal with the adverse financial impact of revenue collections and reimbursement issues related to its payors. The level of charity care services and related expenses remains high, while funding remains at a level that is insufficient to cover costs. UH also provides the highest level of graduate medical level education ("GME") in the State, for which it received $14.8 million as reimbursement from the Medicaid program.

UH projects a breakeven budget in 2013 with little change in patient volumes, due to a projected rate increase and the continued implementation of strategies that are designed to stabilize its financial operations on both a short-term and long-term basis. The University continues to advocate with State officials regarding increasing reimbursement levels for GME activities.

UBHC and CINJ are expected to maintain financial stability in the future. State appropriations - operations for these units totaled $39.4 million in 2012, and are projected to remain level in 2013.

UBHC has contracts with the DOC to provide mental, medical and dental healthcare services to inmates of state prisons, and these contracts are expected to generate $139.4 million of annual revenues in 2013.

As a labor-intensive organization, the University faces competitive pressures related to attracting and retaining faculty and staff. Approximately 80% of the University's employees are represented by collective bargaining agreements. The University is currently negotiating with unions regarding wage and benefit issues.

Efforts continue to implement strategies to stabilize the University's financial condition and to collaborate with the State to jointly address the financial challenges of UH. These efforts are focused on securing the resources necessary to provide New Jersey's citizens with world-class education, leading-edge research and the highest quality healthcare.

Legal Matters

The University is a party to various legal proceedings arising in the ordinary course of its operations. In the opinion of management, the University has adequate insurance to cover the estimated potential liability for damages in these cases, or, to the extent such liability is not covered by insurance, any adverse decision would not have a material adverse effect on the University's financial position, results of operations, or cash flows

In connection with the settlement of two cases that initially resulted in a Deferred Prosecution Agreement with the United States Attorney for the District of New Jersey, the University entered into a five year Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Federal Department of Health and Human Services in September 2009. Under the terms of the CIA, the University agreed to adhere to requirements that will ensure regulatory and legal compliance with all Federal healthcare programs. Related liabilities have been estimated and recorded within the 2012 and 2011 financial statements, respectively.

From time to time, the University becomes aware of Federal and/or State inquires and investigations and may receive subpoenas and other requests for information. The University cooperates with the agencies and provides the information and data requested. Although the ultimate outcome of any such inquires may be unknown at this time, management believes they will not have a material effect on the University's financial position, operating results or cash flows.

Basic
Financial Statements

University of Medicine and Dentistry of New Jersey
Consolidated Statements of Net Assets
(In thousands of dollars)

	June 30, 2012	June 30, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 184,428	$ 196,577
Short-term investments	96	5,191
Accounts receivable, net of allowance for doubtful accounts of $237,973 in 2012 and $262,953 in 2011	119,279	118,513
Other receivables, net of allowance for doubtful accounts of $16,545 in 2012 and $20,878 in 2011	109,214	66,738
Grants receivable, net of allowance for doubtful accounts of $7,582 in 2012 and 2011	72,228	80,590
Inventories and other assets	21,307	16,013
Assets held by trustees - current portion	16,482	16,480
Total current assets	523,034	500,102
Noncurrent assets		
Endowment investments	20,648	20,343
Other long-term investments	473	557
Loans to students	33,605	34,027
Deferred financing costs and other	13,242	14,638
Assets held by trustees	61,968	60,908
Capital assets, net	862,027	895,537
Total noncurrent assets	991,963	1,026,010
Total assets	1,514,997	1,526,112
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	176,516	166,366
Estimated third party payors settlements - current portion	1,914	55,736
Accrued vacation	47,003	48,098
Deferred revenues	75,717	65,923
Long-term debt and capital lease obligations - current portion	18,273	13,979
Total current liabilities	319,423	350,102
Noncurrent liabilities		
Accrued claims liability and other	33,640	32,647
Estimated third party payors settlements	47,228	11,391
Long-term debt and capital lease obligations	630,505	648,489
Total noncurrent liabilities	711,373	692,527
Total liabilities	1,030,796	1,042,629
Net Assets		
Invested in capital, net of related debt	282,443	304,875
Restricted expendable	162,924	155,410
Restricted nonexpendable	67,342	66,529
Unrestricted	(28,508)	(43,331)
Total net assets	$ 484,201	$ 483,483

The accompanying notes are an integral part of these financial statements

University of Medicine and Dentistry of New Jersey
Consolidated Statements of Revenues, Expenses and Changes in Net Assets
(In thousands of dollars)

	Year Ended June 30, 2012	2011
Operating revenues		
Tuition and fees, net	$ 126,363	$ 115,870
Governmental grants and contracts	230,415	250,337
Private grants and contracts	65,545	68,234
Net patient service revenues	528,359	517,682
Professional services and contracts	392,509	370,795
Auxiliary sales and services	19,748	19,862
Other operating revenues	39,641	41,464
Total operating revenues	1,402,580	1,384,244
Operating expenses		
Instruction	184,648	184,564
Research	168,950	185,635
Public service	108,828	109,324
Academic and student support	30,662	29,771
Institutional and administrative support	114,348	113,626
Patient care services	666,070	646,897
Professional services and contracts	359,322	341,134
Operation and maintenance of plant	53,738	56,576
Depreciation	67,103	68,268
Insurance	10,891	5,351
Auxiliary enterprises and other	17,403	16,776
Total operating expenses	1,781,963	1,757,922
Operating loss	(379,383)	(373,678)
Nonoperating revenues (expenses)		
State appropriations - operations	205,938	214,570
Fringe benefits paid by the State	204,649	183,906
Investment income	2,061	2,558
Unrealized appreciation on investments	131	2,110
Net interest expense	(38,570)	(39,171)
Other	1,066	4,049
Total nonoperating revenues, net	375,275	368,022
Other revenues		
Capital grant	4,826	6,124
Increase in net assets	718	468
Net assets - beginning of year	483,483	483,015
Net assets - end of year	$ 484,201	$ 483,483

The accompanying notes are an integral part of these financial statements

University of Medicine and Dentistry of New Jersey
Consolidated Statements of Cash Flows
(In thousands of dollars)

	Year Ended June 30, 2012	2011
Cash flows from operating activities		
Tuition and fees	$ 128,003	$ 118,469
Research grants and contracts	311,203	304,496
Services to patients	508,029	515,782
Professional services and contracts	394,088	368,507
Other receipts	19,437	62,192
Loan repayments from students	4,354	4,198
Loans to students	(4,430)	(7,126)
Payments to employees	(1,056,792)	(1,041,163)
Payments to vendors	(451,558)	(463,091)
Net cash and cash equivalents used in operating activities	(147,666)	(137,736)
Cash flows from noncapital financing activities		
State appropriations	205,938	214,570
Other receipts, net	3,795	2,130
Net cash and cash equivalents provided by noncapital financing activities	209,733	216,700
Cash flows from capital financing activities		
Capital grant received	4,073	3,822
Proceeds from sale of capital assets	-	6,200
Purchases of capital assets	(31,583)	(33,899)
Principal payments on debt and capital lease obligations	(13,978)	(11,227)
Interest payments on debt and capital lease obligations	(38,771)	(39,226)
Net cash and cash equivalents used in capital financing activities	(80,259)	(74,330)
Cash flows from investing activities		
Deposits with assets held by trustees	(38,686)	(90,819)
Utilization of assets held by trustees	37,624	87,170
Proceeds from sale and maturity of investments	5,000	-
Interest on investments	2,105	2,746
Net cash and cash equivalents provided by (used in) investing activities	6,043	(903)
Net (decrease) increase in cash and cash equivalents	(12,149)	3,731
Cash and cash equivalents - beginning of year	196,577	192,846
Cash and cash equivalents - end of year	$ 184,428	$ 196,577
Reconciliation of operating loss to net cash and cash equivalents used in operating activities		
Operating loss	$ (379,383)	$ (373,678)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Fringe benefits paid by the State	204,649	183,906
Depreciation and amortization expense	67,913	69,078
Provision for bad debts	158,615	153,601
Medicaid settlement with State	(14,490)	-
Other	-	(1,096)
Changes in assets and liabilities		
Receivables, net of contractual allowances	(193,064)	(157,440)
Inventories and other assets	(5,132)	1,162
Loans to students, net	(9)	(2,854)
Accounts payable and accrued expenses	2,688	(6,429)
Deferred revenues	10,547	(3,986)
Net cash and cash equivalents used in operating activities	$ (147,666)	$ (137,736)

The accompanying notes are an integral part of these financial statements

University of Medicine and Dentistry of New Jersey
Statements of Net Assets – Aggregate Discretely Presented Component Units
(In thousands of dollars)

	June 30, 2012				June 30, 2011			
	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total
Assets								
Current assets								
Cash and cash equivalents	$ 180	$ 4,107	$ 13,873	$ 18,160	$ 185	$ 3,933	$ 12,762	$ 16,880
Cash and cash equivalents whose use is limited	-	-	3,663	3,663	-	-	1,875	1,875
Short term investments	29,933	4,589	11,568	46,090	29,371	3,340	11,572	44,283
Contributions receivable, net	13,774	706	-	14,480	7,735	2,086	-	9,821
Other assets	501	131	1,406	2,038	388	75	1,051	1,514
Total current assets	44,388	9,533	30,510	84,431	37,679	9,434	27,260	74,373
Noncurrent assets								
Cash equivalents restricted for long term purposes	-	196	-	196	-	3	-	3
Long term investments	145,966	35	327	146,328	156,114	2,600	287	159,001
Contributions receivable, net	4,827	61	-	4,888	12,519	139	-	12,658
Capital assets, net	2,192	3	55	2,250	2,204	1	67	2,272
Total noncurrent assets	152,985	295	382	153,662	170,837	2,743	354	173,934
Total assets	197,373	9,828	30,892	238,093	208,516	12,177	27,614	248,307
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	1,044	268	478	1,790	1,038	153	461	1,652
Grants payable	19,687	-	-	19,687	20,960	-	-	20,960
Payable to NJMS dept funds	-	-	1,305	1,305	-	-	1,523	1,523
Payable to NJMS dean's funds	-	-	5,002	5,002	-	-	2,843	2,843
Payable to physician overhead funds	-	-	-	-	-	-	8	8
Payable to department participant fund	-	-	5,151	5,151	-	-	3,584	3,584
Funds held in custody for others	-	-	-	-	302	-	-	302
Total current liabilities	20,731	268	11,936	32,935	22,300	153	8,419	30,872
Noncurrent liabilities								
Payable to participant division fund	-	-	12,874	12,874	-	-	14,610	14,610
Total liabilities	20,731	268	24,810	45,809	22,300	153	23,029	45,482
Net Assets								
Restricted expendable - temporarily restricted	45,518	8,049	-	53,567	55,809	10,654	-	66,463
Restricted non expendable - permanently restricted	91,348	929	-	92,277	86,748	985	-	87,733
Board designated - unrestricted	39,776	582	6,082	46,440	43,659	385	4,585	48,629
Total net assets	176,642	9,560	6,082	192,284	186,216	12,024	4,585	202,825
Total liabilities and net assets	$ 197,373	$ 9,828	$ 30,892	$ 238,093	$ 208,516	$ 12,177	$ 27,614	$ 248,307

The accompanying notes are an integral part of these financial statements

University of Medicine and Dentistry of New Jersey
Statements of Revenues, Expenses and Changes in Net Assets – Aggregate Discretely Presented Component Units
(In thousands of dollars)

	Year Ended June 30, 2012				Year Ended June 30, 2011			
	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total	New Jersey Health Foundation, Inc.	Cancer Institute of New Jersey Foundation, Inc.	University Physician Associates of New Jersey, Inc.	Total
Operating revenues								
Contributions	$ 20,724	$ 3,897	$ -	$ 24,621	$ 21,535	$ 2,958	$ -	$ 24,493
Net physician billings	-	-	94,055	94,055	-	-	90,383	90,383
Other revenues, net	38	-	-	38	40	-	-	40
Total operating revenues	20,762	3,897	94,055	118,714	21,575	2,958	90,383	114,916
Operating expenses								
Grants	21,379	5,171	-	26,550	22,962	4,285	-	27,247
Distributable to UPA physicians	-	-	37,081	37,081	-	-	36,000	36,000
Distributable to NJMS department funds	-	-	8,980	8,980	-	-	8,620	8,620
Distributable to NJMS division funds	-	-	18,802	18,802	-	-	17,323	17,323
Distributable to NJMS dean's fund	-	-	7,386	7,386	-	-	6,148	6,148
Distributable to UMDNJ medical malpractice fund	-	-	2,753	2,753	-	-	2,648	2,648
Fund raising	2,647	414	-	3,061	2,635	462	-	3,097
General and administrative	(366)	746	17,596	17,976	(482)	840	17,475	17,833
Total operating expenses	23,660	6,331	92,598	122,589	25,115	5,587	88,214	118,916
Operating (loss) gain	(2,898)	(2,434)	1,457	(3,875)	(3,540)	(2,629)	2,169	(4,000)
Nonoperating revenues (expenses)								
Net unrealized and realized (losses) gains on investments	(4,934)	(30)	40	(4,924)	28,929	160	49	29,138
Interest and dividend income	2,054	-	-	2,054	1,609	-	-	1,609
Investment management and cost recovery fees	(3,519)	-	-	(3,519)	(3,399)	-	-	(3,399)
Refunded to grantor	(39)	-	-	(39)	(3)	-	-	(3)
Provision for uncollectible pledges	(238)	-	-	(238)	(243)	-	-	(243)
Total nonoperating revenues (expenses), net	(6,676)	(30)	40	(6,666)	26,893	160	49	27,102
(Decrease) increase in net assets	(9,574)	(2,464)	1,497	(10,541)	23,353	(2,469)	2,218	23,102
Net assets - beginning of year	186,216	12,024	4,585	202,825	162,863	14,493	2,367	179,723
Net assets - end of year	$ 176,642	$ 9,560	$ 6,082	$ 192,284	$ 186,216	$ 12,024	$ 4,585	$ 202,825

The accompanying notes are an integral part of these financial statements

1. Organization

The University of Medicine and Dentistry of New Jersey (the "University" or "UMDNJ"), a component unit of the State of New Jersey (the "State"), was established in 1964 and operates under the provisions of the "Medical and Dental Education Act of 1970" (the "Act"). The Act provided for the combination of the Rutgers Medical School and the New Jersey College of Medicine and Dentistry into a single entity known as the College of Medicine and Dentistry of New Jersey, which was subsequently renamed the University of Medicine and Dentistry of New Jersey. The Act also provides for the appointment of a Board of Trustees by the Governor of New Jersey. The Board of Trustees has general supervision over and is vested with the conduct of the University. The University receives appropriations for operations, fringe benefits and capital from the State, which are determined annually through the State's legislative process.

The University is a body corporate and politic of the State. Accordingly, the University's consolidated financial statements are included in the State's Comprehensive Annual Financial Report.

The University's consolidated financial statements include the following units:

Schools of the University:

- UMDNJ-New Jersey Medical School ("NJMS")
- UMDNJ-Robert Wood Johnson Medical School ("RWJMS")
- UMDNJ-School of Osteopathic Medicine ("SOM")
- UMDNJ-New Jersey Dental School
- UMDNJ-Graduate School of Biomedical Sciences
- UMDNJ-School of Health Related Professions
- UMDNJ-School of Nursing
- UMDNJ-School of Public Health

University Health Care Units:

- UMDNJ-University Hospital ("UH")
- UMDNJ-University Behavioral HealthCare ("UBHC")
- Eric B. Chandler Health Center
- The Cancer Institute of New Jersey ("CINJ")
- Broadway House for Continuing Care
- Child Health Institute of New Jersey
- University Correctional HealthCare

Faculty Practice Plans:

- UMDNJ-Robert Wood Johnson Medical Group
- UMDNJ-School of Osteopathic Medicine
- UMDNJ-New Jersey Dental School
- UMDNJ-School of Health Related Professions
- UMDNJ-School of Nursing

Lease Holding Corporation:

- University Care Corporation

As defined by Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units,* an amendment of GASB Statement No 14, *The Financial Reporting Entity,* the New Jersey Health Foundation, Inc., (the "Foundation"), which includes the Foundation of the University of Medicine and Dentistry of New Jersey ("UMDNJ Foundation"), the Cancer Institute of New Jersey Foundation, Inc. ("CINJ Foundation"), and the Faculty Practice Plan of the UMDNJ-New Jersey Medical School – University Physician Associates of New Jersey, Inc. ("UPA") meet the criteria to be reported as component units of the University.

The financial results for the Foundation, CINJ Foundation and UPA are reported in the aggregate discretely presented component units as separate statements within the basic financial statements because of the differences in their reporting models (see Note 3).

During 2012 and 2011, the Foundation distributed $21,379 and $22,962, respectively, to fund University programs and operations. Included in the Foundation's financial statements are $19,687 and $20,960 of grants payable to the University as of June 30, 2012 and 2011, respectively. Separate financial statements for the Foundation can be obtained by writing to the President, New Jersey Health Foundation, Inc., 120 Albany Street, Tower II, Suite 850, New Brunswick, New Jersey 08901.

During 2012 and 2011, the CINJ Foundation distributed $5,171 and $4,285, respectively to fund CINJ programs and operations. Separate financial statements for CINJ Foundation can be obtained by writing to the Chief Operating Officer, Cancer Institute of New Jersey Foundation, Inc., 120 Albany Street, Tower II, Fifth Floor, New Brunswick, New Jersey 08901.

During 2012 and 2011, UPA distributed $19,119 and $17,416, respectively, to NJMS, which included contributions toward the medical malpractice fund. Included in UPA's financial statements are $8,181 and $4,827 of distributions payable to the University as of June 30, 2012 and 2011, respectively, which are included within the University's financial statements in other receivables. Separate financial statements for UPA can be obtained by writing to the Executive Director/Chief Executive Officer, University Physician Associates of New Jersey, Inc., 30 Bergen Street, ADMC 12, Room 1205, Newark, New Jersey 07107.

2. UMDNJ Restructuring

On August 22, 2012, the Governor of New Jersey signed the New Jersey Medical and Health Sciences Restructuring Act (the "Act"), which integrates the University, except for UH and SOM, into Rutgers University ("Rutgers"). The Act indicates that UH will become a free standing institution of the State, while SOM is to be integrated into Rowan University ("Rowan"). All assets, liabilities and debt of the University will be transferred as part of the integration. A School of Biomedical and Health Sciences will be created at Rutgers that will include all the transferred units of the University.

UH will remain the principal teaching hospital for the Newark based medical, dental and nursing schools and its community mission will be preserved, with a goal of establishing a long term public/private partnership to manage UH.

The Act shall take effect on July 1, 2013 and apply to the 2013-2014 academic year, but anticipatory administrative action may be taken in advance of the operative date as shall be necessary for the implementation of the legislation. The Act indicates that the State Treasurer shall establish a Transition Committee to advise him regarding all matters pursuant to the Act, including debt issues, the allocation of budgets, state appropriations and other matters. Upon advice of the Committee or its subcommittees, the State Treasurer shall be empowered to take all necessary administrative actions to implement the provisions of the Act.

The University, Rutgers and Rowan are working in a collaborative manner to accomplish the integration and have established teams to identify and address matters associated with the integration.

3. Summary of Significant Accounting Policies

Following is a summary of the University's significant accounting policies:

Basis of Presentation
The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America as prescribed by GASB. All significant intercompany balances are eliminated in consolidation.

Basis of Accounting
The University uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* as amended, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Foundation and CINJ Foundation are nonprofit organizations that report under FASB guidance, including Accounting Standards Codification (ASC) No. 958 related to the financial reporting for not-for-profit organization.

UPA is a nonprofit organization that reports its financial statements on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The impact of the modified basis of cash receipts and disbursements on the aggregate discretely presented component units' statements of net assets, and statements of revenues, expenses and changes in net assets is not reasonably determinable. However, it is material to the aggregate discretely presented component units' financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The University's more significant estimates include its contractual allowances and allowances for doubtful accounts for patient service revenues and the related patient accounts receivable, reserves for grants and other receivables, amounts due to third party payors, accrued claims liability and commitments and contingencies.

Cash and Cash Equivalents
Cash and cash equivalents, excluding assets held by trustees, represent operating cash, money market investments and commercial paper that are unrestricted with maturities of three months or less at the date of purchase.

Investments
Investments in equity securities and debt securities are valued at fair value. Fair value is generally determined by sales prices or bid-and-asked quotations that are available on a securities exchange registered with the Securities and Exchange Commission or in the over-the-counter market. For investments in mutual funds, the fair value per share, or unit, is the value that is determined and published and the basis for current transactions. Investment income or loss, including realized gains and losses on investments, interest and dividends, is included in nonoperating revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are also included in nonoperating revenues.

Other Receivables
Other receivables represent amounts due from hospitals under affiliation agreements with the University for use of its faculty and residents, the current portion of loans to students, amounts due from UPA, State of New Jersey Department of Corrections and amounts due from State and local municipalities and agencies for services rendered.

Grants Receivable
Grants receivable represent amounts due from Federal, State and local governments, pharmaceutical firms, the Foundation and private agencies, for research and other sponsored programs.

Inventories
Inventories consist primarily of hospital supplies, which are included in inventories and other assets, and are stated at the lower of cost, using the first-in, first-out method or market.

Endowment
Endowment investments are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. University management has the authority to utilize investment income, in accordance with the terms of each specific gift as approved by the Board of Trustees. Included in endowment investments is realized and unrealized appreciation on donor-restricted endowments. The unrealized net appreciation or depreciation on endowment investments is included in restricted nonexpendable net assets within the consolidated statements of revenues, expenses and changes in net assets. It is the University's policy to account for endowment appreciation in accordance with donor specifications.

Assets Held by Trustees
Assets held by trustees, which are recorded at fair value, represent assets whose use is limited under various bond indenture agreements. Such assets consist principally of investments in U.S. treasuries and agencies, commercial paper, repurchase agreements and money market funds (see Note 6).

Capital Assets, Net
Capital assets are recorded at cost or in the case of donated assets at fair value at the date of acquisition. Major renewals and improvements are capitalized while maintenance repairs are expensed when incurred. Depreciation is provided on a straight-line basis over the shorter of the estimated useful lives of the related assets or lease terms, ranging from 2 to 40 years. Amortization of assets recorded under capital leases is included with depreciation expense in the financial statements. Gains and losses resulting from the retirement of capital assets are also included in the financial statements within nonoperating revenues.

Impairment of Long-Lived Assets
The University reviews the realizability of long-lived assets and certain tangible assets whenever events and circumstances occur which indicate recorded costs may not be recoverable. No impairments of long-lived assets were recognized during 2012 or 2011.

Deferred Financing Costs and Other
Deferred financing costs represent costs incurred to obtain various capital financings and are amortized over the term of the related debt using the effective interest method or the straight-line method when not materially different. Deferred financing costs totaled $7,827 and $8,212, net of accumulated amortization of $4,700 and $4,315 as of June 30, 2012 and 2011, respectively.

In December 2006, the University acquired the intellectual property of Public Health Research Institute for approximately $8,101. In June 2009, the University acquired various software licenses for $2,000. These amounts are included in deferred financing costs and other and are being amortized over a ten year period.

Compensated Absences
The University accrues liabilities for employees' annual leave benefits and adjustments to the accrual are recorded annually.

Deferred Revenues
Deferred revenues include amounts received in advance from grant and contract sponsors, and amounts received for tuition and fees that relate to the subsequent fiscal year.

Accrued Claims Liability
Accrued claims liability represents estimated amounts payable related to workers compensation claims (see Note 9).

Net Assets
Net assets of the University are classified in four components. *Net assets invested in capital, net of related debt* consist of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, the State, or contributors external to the University, including amounts deposited with trustees as required by revenue bond indentures, as discussed in Note 9. *Restricted nonexpendable net assets* are those subject to externally imposed stipulations

that they be maintained permanently. Such net assets include the corpus portion (historic value) of gifts and the University's permanent endowment fund and student loans. *Unrestricted net assets* are remaining net assets that do not meet the definition of *net assets invested in capital, net of related debt* or *restricted*.

Revenues and Expenses
The University's consolidated statements of revenues, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare, education and research services which are the University's principal activities. Nonexchange revenues, including State appropriations, investment income, and capital grants are reported as nonoperating or other revenues. Operating expenses are all expenses incurred to provide healthcare, education and research services, other than financing costs. Nonoperating expenses are all expenses incurred related to financing, noncapital financing and investing activities.

Net Patient Service Revenues and Patient Accounts Receivable
Net patient service revenues are recorded on an accrual basis in the period in which the service is provided. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third party payors. Reimbursement from third party payors varies, depending upon the type and level of care provided. Certain net revenues received are subject to audit and retroactive adjustments for which amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined (see Note 5).

Professional Services and Contracts Revenues
Professional services and contracts revenues are recorded on an accrual basis and are reported at the estimated net realizable amounts from patients, third party payors and others for services rendered.

Auxiliary Sales and Services
Auxiliary sales and services revenues include revenues from parking facilities, the University's housing and dining facilities, as well as other business type activities such as the computer hardware store and the gift shop.

Capitalized Interest Costs
Interest costs, net of investment income, are capitalized as part of capital expenditures and depreciated over the estimated useful life of the asset.

New Authoritative Pronouncements

In November 2010, the GASB issued Statement 61, *the Financial Reporting Entity: Omnibus*, which GASB Statement 61 provides amended guidance regarding the criteria governing which of a governmental entity's related parties should be formally incorporated into its financial statements with a focus on component units. GASB 61 is effective for the University's fiscal year 2013 financial statements. The guidance should be applied retroactively if practicable; otherwise, the cumulative effect should be reported as a restatement of beginning net assets for the earliest period presented.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements.* GASB Statement 62 extracts all relevant nonconflicting, noncontradictory provisions from pre-1989 private sector literature and issues them in the form of a GASB standard so that the private sector standards are no longer needed. Further, GASB Statement 62 eliminates the option, provided under GASB Statement 20 which the University currently applies, which allows the University to elect to apply nonconflicting, noncontradictory, post 1989 FASB standards. The provisions of this Statement are effective for the University's fiscal year 2013 financial statements.

In July 2011, the GASB issued Statement No. 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for the University's fiscal year 2013 financial statements.

The University is evaluating the impact of the GASB Statements 61, 62 and 63 on its consolidated financial statements and disclosures.

4. Tuition and Fees, Net

Tuition and fees revenues are recorded on an accrual basis, net of allowances. Scholarship allowances are the estimated difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Scholarship allowances totaled $5,581 and $5,890 in 2012 and 2011, respectively.

5. Healthcare Reimbursement System

A summary of the payment arrangements with major third party payors is as follows:

- Medicare – inpatient acute care, inpatient behavioral health, and most outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or based on ambulatory payment classifications. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The University is reimbursed for certain items at a tentative rate with final settlement determined after submission of its annual cost report by the University and audits thereof by the Medicare fiscal intermediary. UH's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the University. UH's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2004 and UBHC has settled its cost reports through June 30, 2009.

- Medicaid – inpatient acute care and behavioral health services rendered to Medicaid 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. Outpatient services are paid based upon a cost reimbursement methodology and outpatient behavioral health services, including adult and child services, are paid based on a Medicaid fee schedule. The University is paid for reimbursable costs at a tentative rate with final settlement determined after submission of the annual cost report by the University and audit thereof by the Medicaid fiscal intermediary. UH and UBHC have settled their Medicaid cost reports with the Medicaid fiscal intermediary through June 30, 2010 and June 30, 2008, respectively.

The University has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the University under these agreements includes prospectively determined rates per day/case and discounts from established charges.

Revenues received under the various reimbursement systems and agreements are subject to audit and adjustment. Accordingly, provisions for estimated adjustments resulting from audit, final settlement and changes in estimates have been recorded. Differences between the provisions and the amounts settled are recorded in the year of settlement. The University recognized revenues of $(4,351) in 2012 and $932 in 2011 as a result of changes in estimated third party settlements.

The University has recorded liabilities related to UH's Medicaid cost reports totaling $49,739 and $71,676 as of June 30, 2012 and 2011, respectively, which are included in estimated third party payors settlements. These amounts reflect the impact of two settlement agreements with the State.

In January 2009, the University and the State entered into a settlement agreement regarding certain Medicaid liabilities totaling $46,031. Under the agreement, the State forgave $23,031 of these liabilities and established a long-term repayment plan for the remaining $23,000. In June 2012, a second Medicaid settlement was executed with the State that provided for the long-term repayment of an additional $51,679 of outstanding liabilities.

Under the agreements, the repayments are as follows: $2,000 for the year commencing July 1, 2012; $3,000 per year for each of the succeeding two years commencing July 1, 2013; $4,000 per year for each of the succeeding two years commencing July 1, 2015; $4,250 for the year commencing July 1, 2017; $5,250 for each of the succeeding three years commencing July 1, 2018; $26,179 in the year commencing July 1, 2021; $1,500 per year for each of the succeeding three years commencing July 1, 2022; and $2,000 per year for each of the succeeding four years commencing July 1, 2025. As a result of the repayment period, the University discounted the liabilities by $13,200 and $14,500, in 2009 and 2012 respectively, to their estimated present value. The discounts are being amortized over the repayment period. The agreements also require that UH use 50% of any surplus that is realizes in a year, net of capital expenditures, as repayment of liabilities.

(In thousands of dollars)

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation for which action for non-compliance includes fines, penalties, and exclusion from the Medicare and Medicaid programs.

UH and UBHC provide care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services and the Department of Human Services without charge or at amounts less than their established rates. These units maintain records to identify and monitor the level of charity care they provide, which includes the amount of gross charges foregone for services and supplies furnished. Gross charges related to charity care totaled $375,791 and $407,423 in 2012 and 2011, for which UH received $101,730 and $100,016, respectively from the State's Charity Care Subsidy Fund. The University estimates that the cost of delivering this care was $111,916 in 2012 and $121,238 in 2011.

The components of net patient service revenues are as follows:

	Year Ended June 30, 2012	2011
Gross charges	$ 2,118,109	$ 2,104,814
Additions (deductions) from gross charges		
Health Care Subsidy Fund payments		
Charity care	101,730	100,016
Hospital relief	14,715	19,049
Contractual and other allowances	(1,587,148)	(1,574,295)
Provision for bad debts	(133,537)	(131,902)
Reduction of cost reports liabilities	14,490	-
Subtotal	(1,589,750)	(1,587,132)
Net patient service revenues	$ 528,359	$ 517,682

(In thousands of dollars)

6. Cash and Cash Equivalents, Investments and Assets Held by Trustees

Cash on deposit, which is included in cash and cash equivalents in the consolidated financial statements, is $77,949 and $39,405 as of June 30, 2012 and 2011, respectively, and is partially insured by Federal Deposit Insurance Corporation in the amount of $250 in each depository. Balances above the Federal Deposit Insurance Corporation amount are insured by the Government Unit Deposit Protection Act, which insures all New Jersey government units' deposits in excess of Federal Deposit Insurance Corporation maximums.

The University's cash equivalents balance includes $114,468 and $167,456 of funds as of June 30, 2012 and 2011, respectively, which are invested in the State's cash management fund, which is an investment trust fund that is managed by the State on behalf of various State divisions, agencies and employees.

Investments consist of the following:

	Cost	Fair Value	Unrealized Gains
June 30, 2012			
Common stock	$ 807	$ 21,121	$ 20,314
Mutual funds	80	96	16
	$ 887	$ 21,217	$ 20,330
June 30, 2011			
Common stock	$ 807	$ 20,900	$ 20,093
Corporate bonds	5,000	5,100	100
Mutual funds	78	91	13
	$ 5,885	$ 26,091	$ 20,206

Investment maturities consist of the following:

	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years
June 30, 2012				
Mutual funds	96	96	-	-
	$ 96	$ 96	$ -	$ -
June 30, 2011				
Corporate bonds	$ 5,100	$ 5,100	$ -	$ -
Mutual funds	91	91	-	-
	$ 5,191	$ 5,191	$ -	$ -

(In thousands of dollars)

Assets held by trustees consist of the following:

	Cost	Fair Value	Unrealized Gains
June 30, 2012			
U.S. treasuries	$ 25,255	$ 25,257	$ 2
U.S. agencies	4,860	4,923	63
Repurchase agreements	19,843	19,843	-
Money market funds	28,325	28,325	
Accrued interest	102	102	-
	$ 78,385	$ 78,450	$ 65
June 30, 2011			
U.S. treasuries	$ 25,318	$ 25,344	$ 26
Commercial paper	4,836	4,866	30
Repurchase agreements	19,843	19,843	-
Money market funds	27,190	27,190	-
Accrued interest	145	145	-
	$ 77,332	$ 77,388	$ 56

Assets held by trustees maturities consist of the following:

	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	More Thai 10 Years
June 30, 2012					
U.S. treasuries	$ 25,257	$ 25,257	$ -	$ -	$ -
U.S. agencies	4,923	4,923	-	-	-
Repurchase agreements	19,843	-	-	-	19,843
Money market funds	28,325	28,325	-	-	-
Accrued interest	102	102	-	-	-
	$ 78,450	$ 58,607	$ -	$ -	$ 19,843
June 30, 2011					
U.S. treasuries	$ 25,344	$ 25,344	$ -	$ -	$ -
Commercial paper	4,866	4,866	-	-	-
Repurchase agreements	19,843	-	-	-	19,843
Money market funds	27,190	27,190	-	-	-
Accrued interest	145	145	-	-	-
	$ 77,388	$ 57,545	$ -	$ -	$ 19,843

Substantially all of the University's investments, including assets held by trustees, are Category 1 investments, which are defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements,* as investments that are insured or registered and are held by the institution, or its agent, in the institution's name. The University invests in repurchase agreements, principally of government securities, which are agreements between a seller and a buyer whereby the seller agrees to repurchase the securities at an agreed upon price and time. These repurchase agreements are fully collateralized by obligations of the U.S. government and U.S. government agencies.

(In thousands of dollars)

Investment income consists of the following:

	Year Ended June 30, 2012	Year Ended June 30, 2011
Interest income	$ 1,339	$ 1,847
Dividend income	722	682
Gain on sale of investment	-	29
	$ 2,061	$ 2,558

Interest Rate Risk
The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest rate yields on investments consist of the following:

	Year Ended June 30, 2012	Year Ended June 30, 2011
Corporate bonds	-	6.13%

Interest rate yields on assets held by trustees consist of the following:

	Year Ended June 30, 2012	Year Ended June 30, 2011
U.S. agencies	4.63%	-
Commercial paper	-	3.63%
Repurchase agreements	4.71%	4.71%
Cash management funds	0.02%	0.09%

Credit Risk

The University's investment policy limits investments in corporate bonds to the top rating issued by nationally recognized statistical rating agencies. As of June 30, 2011 investments in corporate bonds were rated A1 by Standard and Poor's. Mutual bond fund investments are not rated.

Concentration of Credit Risk
The University's investment policy places no limits on the amount that may be invested in U.S. Government securities. However, holdings other than U.S. Government securities, must be diversified so as to limit concentration in any single obligor, industry or geographic area. Investment of corporate bonds and commercial paper must be in U.S. corporations.

(In thousands of dollars)

7. Capital Assets

The historical cost of capital assets and capital assets activities for the years ended June 30, 2012 and 2011 are as follows:

	June 30, 2011	Additions	Retirements/ Capitalization	June 30, 2012
Depreciable assets				
Land improvements	$ 8,180	$ -	$ -	$ 8,180
Buildings and leasehold improvements	1,409,644	2,591	-	1,412,235
Equipment	524,144	29,926	(2,515)	551,555
Capital assets for investment in joint ventures	35,930	81	-	36,011
Capitalized interest	19,470	379	-	19,849
	1,997,368	32,977	(2,515)	2,027,830
Accumulated depreciation				
Land improvements	(5,345)	(309)	-	(5,654)
Buildings and leasehold improvements	(656,420)	(43,583)	-	(700,003)
Equipment	(437,712)	(22,428)	2,312	(457,828)
Capital assets for investment in joint ventures	(26,191)	(783)	-	(26,974)
	(1,125,668)	(67,103)	2,312 -	(1,190,459)
Accumulated amortization				
Capitalized interest	(2,699)	(934)	-	(3,633)
Non-depreciable assets				
Land	15,801	-	-	15,801
Construction in progress	10,735	24,865	(23,112)	12,488
	$ 895,537	$ (10,195)	$ (23,315)	$ 862,027

	June 30, 2010	Additions	Retirements/ Capitalization	June 30, 2011
Depreciable assets				
Land improvements	$ 8,680	$ -	$ (500)	$ 8,180
Buildings and leasehold improvements	1,413,276	887	(4,519)	1,409,644
Equipment	503,684	23,006	(2,546)	524,144
Capital assets for investment in joint ventures	35,394	545	(9)	35,930
Capitalized interest	19,018	452	-	19,470
	1,980,052	24,890	(7,574)	1,997,368
Accumulated depreciation				
Land improvements	(5,327)	(309)	291	(5,345)
Buildings and leasehold improvements	(614,226)	(44,218)	2,024	(656,420)
Equipment	(417,404)	(22,982)	2,674	(437,712)
Capital assets for investment in joint ventures	(25,433)	(759)	1	(26,191)
	(1,062,390)	(68,268)	4,990	(1,125,668)
Accumulated amortization				
Capitalized interest	(2,254)	(445)	-	(2,699)
Non-depreciable assets				
Land	16,116	-	(315)	15,801
Construction in progress	2,132	16,756	(8,153)	10,735
	$ 933,656	$ (27,067)	$ (11,052)	$ 895,537

The University and Rutgers, participate in an unincorporated joint venture agreement that manages two major research facilities, the Environmental and Occupational Health Sciences Institute and the Center for Advanced Biotechnology and Medicine.

The University has acquired certain fixed assets relating to the joint ventures totaling $36,011and $35,930 as of June 30, 2012 and 2011, respectively. Total accumulated depreciation related to these assets was $26,974 and $26,191 as of June 30, 2012 and 2011, respectively.

Included in the University's capital asset balances are assets acquired under capital leases totaling $115,493 and $113,554 as of June 30, 2012 and 2011, respectively. Total accumulated amortization related to these assets was $52,971 and $49,835 as of June 30, 2012 and 2011, respectively.

Included in the University's capital asset balances are capitalized interest costs of $379 and $452 as of June 30, 2012 and 2011, respectively.

8. Self-Insurance Reserve Fund

The University administers a trust fund on behalf of the State known as the University of Medicine and Dentistry of New Jersey Self-Insurance Reserve Fund (the "Fund"), which is used to pay malpractice claims, insurance premiums and claims related to auto and directors' and officers' liability. The University and the State approve the payment of claims and the University is required to collect contributions to the Fund from its affiliated hospitals and UPA. Monies in the fund, existing commercial excess liability insurance coverage and coverage provided by the State's Tort Claims Act are used to meet the cost of claims against the University, primarily UH and the faculty practice plans. The State has the ultimate liability for any claims in excess of the Fund's assets.

Payment of claims from the Fund totaled $20,890 and $21,112 in 2012 and 2011, respectively. Contributions to the Fund from the State totaled $10,208 and $15,542 in 2012 and 2011, respectively. Contributions to the Fund from the University's affiliates totaled $8,186 and $7,287 in 2012 and 2011, respectively, and are included in nonoperating revenues.

Net assets in the Fund amounted to ($4,260) and ($1,766) as of June 30, 2012 and 2011, respectively.

(In thousands of dollars)

9. Long-Term Debt, Capital Lease Obligations and Other Accrued Liabilities

As of June 30, 2012 and 2011, long-term debt, including bonds and capital lease obligations, consists of the following:

	2012	2011
2002 Series A Bonds, May 2002 issue in the amount of $224,130. Serial bonds in the amount of $77,455 bearing interest at rates of 4.2% to 5.5% are payable in installments of interest and principal through 2024; $115,645 of 5.0%-5.5% term bonds are due through 2031. The bonds are collaterized by University revenues consisting of any moneys appropriated for debt service, any and all tuition revenues and any funds available to pay operating expenses.	$ 193,100	$ 200,215
2009 Series B Revenue Refunding Bonds, April 2009 issue in the amount of $258,075. Serial bonds in the amount of $72,625 bearing interest rates at 5.25%-6.5% are payable in equal installments of interest and principal through 2020; $185,450 of 6.0%-7.5% term bonds are due through 2032. The bonds are collateralized by any legally available funds, with no specific pledge of revenues other than the funds held under the Lockbox Agreement (1)	258,075	258,075
Certificates of Participation, Series 2003 (2)	50,670	52,070
Certificates of Participation, Series 2004 (3)	76,960	78,545
Capital building leases (4)	54,998	56,687
Capital improvement fund obligation (5)	18,299	19,839
Notes payable (6)	2,023	2,673
	654,125	668,104
Unamortized bond discount and loss on extinguishment of debt	(5,347)	(5,636)
Total long-term debt and capital lease obligations, net of discount	$ 648,778	$ 662,468

(1) In April 2009, the University entered into a Loan Agreement ("Agreement") with the New Jersey Educational Facilities Authority ("EFA") whereby EFA issued Revenue Refunding Bonds, UMDNJ issue, Series 2009 B in the amount of $258,075 with an average interest rate of 7.2%. The net proceeds of the 2009 B bonds were used to refund various revenue bonds and lease revenue certificates. The University is obligated to make loan and interest payments to EFA, which are payable from any legally available funds of the University.

The refunding was structured to convert the University's variable rate debt into fixed rate debt and provide the holders of 2009 B Bonds with comparable rights to holders of other University debt issues.

As additional security for the Bonds, the University entered into a Lockbox Agreement, whereby it directed the State to deposit the majority of its monthly state appropriations directly with the lockbox bank, until such time that the bank has sufficient funds for the upcoming semi-annual debt service payments for the 2009 Series B Bonds and 2002 Series A Bonds.

If the University expected to transfer, sell or divest more than 15% of its total assets or total revenues, the Agreement includes a provision that requires the University to certify that its debt service coverage ratio as defined in the Agreement is expected to be at least 3.0 for the year after the transfer or sale. If a certification cannot be made, then the University is required to defease or retire an amount of debt necessary to achieve the 3.0 ratio.

(2) In January 2003, the University entered into a Master Lease Agreement whereby the University issued $57,925 under Series 2003 Certificates of Participation for construction of the Child Health Institute located in New Brunswick. Serial certificates in the amount of $17,680 bearing interest at rates of 4.0% - 5.0% are payable in equal installments of interest and principal through 2022; $32,990 of 4.5% - 5.0% term certificates are due through 2032. These certificates are collaterized by available University revenues other than proceeds and earnings in rebate funds and grant accounts as well as insurance proceeds obtained for repair and replacement of the facility.

(3) In December 2004, the University entered into a Master Lease Agreement whereby the University issued $87,440 under Series 2004 Certificates of Participation for construction of the University Housing building located in Newark. Serial certificates in the amount of $24,995 bearing interest at rates of 3.5% - 5.3% are payable in equal installments of interest and principal through 2024; $51,965 of 5.0% term certificates are due through 2036. These certificates are collaterized by available University revenues other than proceeds and earnings in rebate funds and insurance proceeds obtained for repair and replacement of the facility.

(4) In July 1998, the University entered into a capital lease purchase agreement on a building in New Brunswick known as Liberty Plaza. The lease agreement requires an average annual payment of $1,696 to be paid through 2023 at which time the University will obtain title to the building. The effective interest rate on the lease is 5.1%.

In January 2000, the New Jersey Economic Development Authority ("NJEDA") issued $46,000 in lease revenue bonds to develop a project facility known as the International Center for Public Health in Newark. In addition, the State contributed approximately $18,000 toward this project. Upon completion of construction during 2002, the NJEDA transferred its ownership interest in the project facility to the University through the execution of a lease transfer agreement and the University assumed the obligations of the NJEDA. The lease agreement is collateralized by University revenues other than monies and securities in the rebate fund and requires an average annual payment of $3,335 to be paid through 2032. The effective interest rate on the lease is 5.7%.

(5) In July 2000, the University participated in the Capital Improvement Fund Act, P.L. 1999, c.217 through a grant agreement with EFA to fund specific construction and renovation needs. The University's allocation was $95,000, of which 33% ($31,667), bearing interest at rates ranging from 5.0% to 5.75%, is the obligation of the University. The remaining 67% ($63,333) was a contribution from the State as well as the State's obligation. Average annual payments of $2,650 of equal installments of interest and principal are due through 2020.

(6) In February 1998, the University entered into a capital funding agreement with the New Jersey Department of Human Services for $450 to purchase various properties. Title to the properties rests with the University. The agreement terminates in June 2018, at which time the University can renew the agreement or repay the debt. In October 2005, the University increased the agreement to $523 to renovate various collateralized properties.

(In thousands of dollars)

In December 2004, the University entered into an Enhanced Affiliation agreement with Robert Wood Johnson University Hospital, which provides for working capital requirements for RWJMS through a promissory note. The promissory note is a credit line of $10,000 and can be drawn down for a period of five years. During 2006, the agreement was amended canceling any further draws against the line of credit. Equal monthly repayments commence thirty days after the date of draw for ten years at an interest rate of prime. As of June 30, 2012, $4,000 was drawn on the promissory note and principal payments were made in the amount of $2,500.

Future principal and interest payments on long-term debt and future minimum payments on capital lease obligations are summarized in the following tables.

Long-term debt service requirements to maturity as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2013	$ 16,494	$ 34,934	$ 51,428
2014	17,277	34,048	51,325
2015	18,136	33,145	51,281
2016	19,005	32,161	51,166
2017	19,705	31,120	50,825
2018-2022	114,681	137,093	251,774
2023-2027	140,085	101,103	241,188
2028-2032	192,165	53,153	245,318
2033-2036	61,580	5,083	66,663
	599,128	461,840	1,060,968
Less: Unamortized bond discount and loss on extinguishment of debt	(5,347)	-	(5,347)
	$ 593,781	$ 461,840	$ 1,055,621

Capital lease payments as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2013	$ 1,779	$ 3,101	$ 4,880
2014	1,945	3,003	4,948
2015	2,408	2,900	5,308
2016	2,539	2,769	5,308
2017	2,678	2,631	5,309
2018-2022	16,288	10,721	27,009
2023-2027	12,795	6,456	19,251
2028-2032	14,565	2,723	17,288
	$ 54,997	$ 34,304	$ 89,301

(In thousands of dollars)

Long-term debt and capital lease obligations, estimated third party payors settlements and accrued claims liability activities for the years ended June 30, 2012 and 2011 are as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Amounts Due Within One Year
Bonds and notes payable					
Revenue bonds	$478,130	$ -	$ (8,655)	$469,475	$ 13,004
Certificates of participation	130,615	-	(2,985)	127,630	3,090
Notes payable	2,673	-	(650)	2,023	400
Unamortized bond (discount)	(5,636)	-	289	(5,347)	-
	605,782	-	(12,001)	593,781	16,494
Capital lease obligations					
Building leases	56,686	-	(1,689)	54,997	1,779
	56,686	-	(1,689)	54,997	1,779
Estimated third party payors settlements	11,391	50,327	(14,490)	47,228	-
Accrued claims liability and other	32,647	12,890	(11,897)	33,640	-
	$706,506	$ 63,217	$ (40,077)	$ 729,646	$ 18,273

	June 30, 2010	Additions	Reductions	June 30, 2011	Amounts Due Within One Year
Bonds and notes payable					
Revenue bonds	$485,336	$ -	$ (7,206)	$478,130	$ 8,655
Certificates of participation	133,475	-	(2,860)	130,615	2,985
Notes payable	3,073	-	(400)	2,673	650
Unamortized bond (discount)	(5,973)	-	337	(5,636)	-
	615,911	-	(10,129)	605,782	12,290
Capital lease obligations					
Building leases	58,292	-	(1,606)	56,686	1,689
	58,292	-	(1,606)	56,686	1,689
Estimated third party payors settlements	10,744	647	-	11,391	-
Accrued claims liability and other	30,455	13,239	(11,047)	32,647	-
	$715,402	$ 13,886	$ (22,782)	$ 706,506	$ 13,979

The estimated third party payors settlements amount represents the discounted value of the $74,710 of liabilities that are to be repaid during 2013-2029. Annual interest expense of $2,088 will be recorded through 2029 and will increase this liability.

Based on an actuarial valuation, the University recorded an accrued liability for workers compensation claims of $33,557 and $32,557 at June 30, 2012 and 2011, respectively, on a discounted basis assuming an interest rate of 3.25% in 2012 and in 2011. Actual losses will vary due to the uncertainty inherent in the projections used in the actuarial valuation.

(In thousands of dollars)

10. Retirement Benefits Plans

Retirement benefits for substantially all full-time employees are provided either through the Alternate Benefits Program ("ABP") or the Public Employees' Retirement – Social Security Integration Act ("PERS"). Under these plans, participants make annual contributions, and the State, in accordance with state statutes, makes employer contributions on behalf of the University for these plans. Pension expense paid by the State approximated \$56,894 in 2012 and \$54,789 in 2011 and is reflected in the consolidated statements of revenues, expenses and changes in net assets as fringe benefits paid by the State. The University has no direct pension obligation associated with the State plans and no liability for such costs has been recorded in the consolidated financial statements.

Employees of New Jersey state colleges and universities are employees of the State, therefore, the other post employment benefits liability is a liability of and recorded by the State, as the State is legally responsible for these contributions.

Total payroll of the University's plan participants was \$756,504 and \$759,450 for 2012 and 2011, respectively. Summary information regarding these plans is provided below.

Alternate Benefits Program
Plan Description—ABP is a defined contribution plan for full-time members of the faculties of the University's schools, plus other staff employees. This plan is underwritten by several plan participants to fund pension benefits for education institutions. ABP is administered by the State of New Jersey, Division of Pension and Benefits (the "Division"). Benefits under ABP are generally paid at retirement as a lump sum or annuity payment.

A separate financial report that includes financial statements and required supplementary information related to ABP is issued annually and can be obtained by contacting the Division.

Contributions—The State contributes a fixed rate of 8% of employees' compensation and employees contribute 5%. The contribution requirements for plan members and the University are established and may be amended by the Division.

Contributions to ABP were as follows:

	Year Ended June 30,	
	2012	**2011**
Employee contributions	$ 30,134	$ 30,216
Employer contributions (paid by the State)	42,719	42,775
Basis for determining contributions - participating employee salaries	533,988	534,684

Public Employees' Retirement System
Plan Description—PERS is a multiple-employer, public cost-sharing defined benefit retirement system which is administered by the State. University employees of a certain classification are required as a condition of employment to be members of PERS. Annual benefits are equal to the final average salary multiplied by years of service divided by 55. Final average salary is defined as the average of the salaries received by the member for the last three years of membership service or the three highest fiscal years, whichever provides the largest benefit. Pension benefits fully vest after ten years of credited service. Members are eligible for retirement at age 60 with no minimum

(In thousands of dollars)

years of service required. Members who have 25 years or more of credited service may also select early retirement without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits which are established by State statute.
The State issues a financial report available to the public that includes financial statements and required supplementary information for PERS. It may be obtained from the Division.

Contributions—Covered University employees are required by PERS to contribute 6.5% and 5.5% of their annual compensation during 2012 and 2011, respectively. The State contributes the remaining amounts necessary to pay benefits when due, which is based upon an actuarially determined percentage of total compensation of all active members. Contributions to PERS were as follows:

	Year Ended June 30,	
	2012	**2011**
Employee contributions	$ 14,335	$ 12,728
Employer contributions (paid by the State)	14,175	12,014
Employer contributions as a percentage of salary expense	6%	5%
Basis for determining contributions - participating employee salaries	222,516	224,766

11. Concentration of Credit Risk

The healthcare units of the University extend credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. Gross accounts receivable as of June 30, 2012 and 2011 are due from the following payors:

	2012	**2011**
Medicare and Medicaid	32%	32%
Other third-party payors	36%	31%
Self-pay patients	32%	37%
	100%	100%

12. Fair Value of Financial Instruments

The University estimates the fair value of its revenue bonds based upon quoted market prices. As of June 30, 2012, the carrying amount and fair value of the bonds were approximately $617,920 and $662,942, respectively. As of June 30, 2011 the carrying amount and fair value of the bonds were approximately $628,820 and $638,845, respectively.

The carrying amount of all other financial instruments reported in the financial statements approximates their fair value.

(In thousands of dollars)

13. Commitments and Contingencies

The University has a contract with Ellucian Company LP, formerly SunGard Higher Education, for software and outsourcing services needed to maintain the University's integrated administrative computer system, which expires on July 31, 2013 at an annual cost of $1,295.

In June 2009, the University entered into a lease agreement for telecommunications equipment that requires payments of $1,400 per year through 2016.

The University has several major construction contracts in process for construction and renovation projects. As of June 30, 2012 and 2011, the remaining balance on these contracts was $12,845 and $7,358, respectively.

The University is obligated under noncancelable operating leases for various facilities and equipment. Minimum payments for operating leases with noncancelable terms in excess of one year are as follows:

Year Ending June 30,	
2013	$ 5,385
2014	5,008
2015	3,569
2016	2,274
2017	1,888
2018-2022	9,252
2023-2027	7,591
2028-2032	4,421
2033-and thereafter	1,804
	$ 41,192

Total rent expense for these operating leases were $5,064 and $5,087 in 2012 and 2011, respectively.

The University, under various Jobs, Education and Competitiveness contracts, is required to establish a maintenance reserve fund which totaled $4,125 as of June 30, 2012 and 2011, respectively.

During 2000, the Board of Trustees authorized the University to enter into two limited partnerships (Woodbury Mews 3, LLP and Woodbury Mews 4, LLP), which were formed to operate an assisted living facility and a dementia/Alzheimer's facility. In return for a 20% interest in each LLP, the University provided access to stand-by letters of credit totaling $4,500. In 2004, one letter was amended downward by $700. As of June 30, 2012 and 2011, $3,800 was drawn on the letters of credit. The University reserved the entire $3,800 in 2006.

The University receives funds from Federal, State and private agencies under grants and contracts for research, training and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and possible disallowance by the sponsoring agency. It is the University's belief that any disallowances or adjustments would not have a significant effect on its financial statements.

14. Legal Matters

The University is a party in various legal proceedings arising in the ordinary course of its operations. In the opinion of management, the University has adequate insurance to cover the estimated potential liability for damages in those cases, or, to the extent such liability is not covered by insurance, any adverse decision would not have a material adverse effect on the University's financial position, results of operations, or cash flows.

In connection with the settlement of two cases that initially resulted in a Deferred Prosecution Agreement with the United States Attorney for the District of New Jersey, the University entered into a five year Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Federal Department of Health and Human Services in September 2009. Under the terms of the CIA, the University agreed to adhere to requirements that will ensure regulatory and legal compliance with all Federal healthcare programs. Related liabilities have been estimated and recorded within the 2012 and 2011 financial statements, respectively.

From time to time, the University becomes aware of Federal and/or State inquires and investigations and may receive subpoenas and other requests for information. The University cooperates with the agencies and provides the information and data requested. Although the ultimate outcome of any such inquires may be unknown at this time, management believes they will not have a material effect on the University's financial position, operating results or cash flows.

(In thousands of dollars)

15. Natural Expenses By Functional Classification

The University reports operating expenses by functional classification. Details of these expenses by natural classification are as follows:

	Year Ended June 30, 2012				
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Total
Instruction	$ 129,932	$ 42,545	$ 12,171	$ -	$ 184,648
Research	65,331	19,057	84,562	-	168,950
Public service	71,224	22,630	14,974	-	108,828
Academic and student support	17,893	4,987	7,782	-	30,662
Institutional and administrative support	60,941	37,914	15,493	-	114,348
Patient care services	365,771	104,137	196,162	-	666,070
Professional services and contracts	237,114	41,352	80,856	-	359,322
Operation and maintenance of plant	20,216	12,808	20,714	-	53,738
Depreciation	-	-	-	67,103	67,103
Insurance	575	208	10,108	-	10,891
Auxiliary enterprises and other	2,152	745	14,506	-	17,403
Total operating expenses	$ 971,149	$ 286,383	$ 457,328	$ 67,103	$ 1,781,963

	Year Ended June 30, 2011				
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Total
Instruction	$ 132,717	$ 39,890	$ 11,957	$ -	$ 184,564
Research	70,158	19,573	95,904	-	185,635
Public service	73,557	17,735	18,032	-	109,324
Academic and student support	16,427	4,691	8,653	-	29,771
Institutional and administrative support	57,289	36,032	20,305	-	113,626
Patient care services	362,905	96,564	187,428	-	646,897
Professional services and contracts	228,113	38,445	74,576	-	341,134
Operation and maintenance of plant	22,029	12,344	22,203	-	56,576
Depreciation	-	-	-	68,268	68,268
Insurance	173	192	4,986	-	5,351
Auxiliary enterprises and other	2,236	678	13,862	-	16,776
Total operating expenses	$ 965,604	$ 266,144	$ 457,906	$ 68,268	$ 1,757,922

16. Component Unit - New Jersey Health Foundation, Inc.

The following information in note 16 has been taken from the Foundation's audited financial statements.

Summary of Significant Accounting Policies

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

Grants Payable

Grants are distributed in the areas of research, research training, educational enrichment, student assistance, university ventures, and community health. Grants payable are recorded at the time authorized by the board of trustees of the Foundation; an award letter is sent to the recipient and grants are expected to be paid within one year.

Concentration of Credit Risk

The Foundation maintains a significant and diverse investment portfolio, which includes money market funds, debt and equity securities and alternative assets. Alternative assets include interests in limited partnerships and offshore funds. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence on key individuals and nondisclosure of portfolio composition. The Foundation reviews the performance and risks associated with these investments on at least a monthly basis. In addition, the Foundation utilizes the services of an investment consultant who continually monitors the individual investment fund performance, any changes in management at the investment fund or any other significant matters affecting the fund and advises the Foundation of any such changes.

As the Foundation is dependent on investment return to fund a significant portion of its operations, a significant decrease in investment return may have a material impact on the financial position, changes in net assets, and cash flows of the Foundation.

Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820, *Fair Value Measurements* (formerly referred to as SFAS No. 157), establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

- Level 2: Investments in certain entities that calculate net asset value per share (or its equivalent) in which the Foundation has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at or near the measurement date. Level 2 also includes investments with observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

- Level 3: Investments in certain entities that calculate net asset value per share in which the Foundation either will never have the ability to redeem its investment with the investee at net asset value per share (or its equivalent) or in which the Foundation cannot redeem its investment with the investee at net asset value per share (or its equivalent) at or near the measurement date but the investment may be redeemable with the investee at a future date. These investment prices are based on the respective net asset value reported by the administrator and/or management of the investment fund in which the Foundation invests. The inputs in the determination of fair value require significant management judgment or estimation. Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer.

Investments

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to allow for the annual appropriation under its spending policy, fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Finance Committee, which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed-income securities, the Foundation may also hold shares or units in institutional funds as well as in alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Private equity strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the Foundation and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Foundation's interests in alternative investment funds are generally reported at the net asset value (NAV) provided by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2012 and 2011, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

(In thousands of dollars)

The following table summarizes the Organization's investment and other assets by major category in the fair value hierarchy as June 30, 2012 and 2011, as well as related strategy, liquidity and funding commitments:

	June 30, 2012				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or liquidation	notice
Long-term investment strategies:						
Traditional fixed income funds	$ 16,649	$ -	$ -	$ 16,649	Daily	1
Domestic equities:						
Large-mid cap	41,512	5,035	-	46,547	Daily Level 1/ Monthly Level	2
Small cap value	4,897	-	-	4,897	Daily	1
Small cap	6,380	-	-	6,380	Daily	30
Total	52,789	5,035	-	57,824		
Global (excluding U.S.) equities:						
Developed markets	-	18,562	-	18,562	Monthly	5
Emerging markets	6,073	-	-	6,073	Daily	1
Total	6,073	18,562	-	24,635		
Hedged equity funds of funds:						
Long/short strategies	-	-	9,526	9,526	Locked-up (1)	60
Absolute return/multiple strategies	-	-	20,970	20,970	Locked-up (2)	100
Total	-	-	30,496	30,496		
Private equity and venture capital funds	-	-	7,254	7,254	Illiquid (3)	N/A
Other debt securities	6,203			6,203		
Other equity securities	2,905	-	-	2,905	Daily	1
Total long-term investments	84,619	23,597	37,750	145,966		
Cash equivalents – money market	29,933	-	-	29,933	Daily	1
Total	$ 114,552	$ 23,597	$ 37,750	$175,899		

(1) These funds are subject to lock-ups expiring in 2015.
(2) $13 million of these funds are subject to a three year lock-up expiring December 2013; $8 million of these funds are subject to a three year lock-up expiring December 2012.
(3) These funds are expected to liquidate within 10 years. Unfunded future commitments aggregate $1.5 million.

(In thousands of dollars)

	June 30, 2011				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or liquidation	notice
Long-term investment strategies:						
Traditional fixed income funds	$ 18,636	$ -	$ -	$ 18,636	Daily	1
Domestic equities:						
Large-mid cap	41,153	7,761	-	48,914	Daily Level 1/ Monthly Level 2	2
Small cap value	5,605	-	-	5,605	Daily	1
Small cap	6,195	-	-	6,195	Daily	30
Total	52,953	7,761	-	60,714		
Global (excluding U.S.) equities:						
Developed markets	-	23,799	-	23,799	Monthly	5
Emerging markets	7,718	-	-	7,718	Daily	1
Total	7,718	23,799	-	31,517		
Hedged equity funds of funds:						
Long/short strategies	-	-	9,444	9,444	Locked-up (1)	60
Absolute return/multiple strategies	-	-	24,208	24,208	Locked-up (2)	100
Total	-	-	33,652	33,652		
Private equity and venture capital funds	-	-	7,417	7,417	Illiquid (3)	N/A
Other debt securities	1,002			1,002		
Other equity securities	3,177	-	-	3,177	Daily	1
Total long-term investments	83,486	31,560	41,069	156,115		
Cash equivalents – money market funds	29,371	-	-	29,371	Daily	1
Total	$ 112,857	$ 31,560	$ 41,069	$ 185,486		

(1) Approximately one-half of these funds are subject to lock-up expiring in 2013 and one-half expiring in 2012.

(2) $13 million of these funds are subject to a three year lock-up expiring December 2013; $4 million of these funds are subject to a three year lock-up expiring December 2012; $7 million of these funds are subject to a three year lock-up expiring December 2011.

(3) These funds are expected to liquidate within 10 years. Unfunded future commitments aggregate $1.8 million.

Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, some of which are marketable or not difficult to value. Because each fund's reported NAV is used as a practical expedient to estimate the fair value of the Foundation's interest therein, the level in which a fund's fair value measurement is classified is based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

(In thousands of dollars)

The following table presents the Organization's activities for the year ended June 30, 2012 and 2011 for investments classified in Level 3:

	2012		
Level 3 roll forward	**Hedged equity funds of funds**	**Private equity and venture capital funds**	**Total**
Beginning value as of July 1, 2011	$ 33,651	$ 7,418	$ 41,069
Acquisitions	-	425	425
Redemptions	(3,139)	(462)	(3,601)
Net realized and unrealized gains	(16)	(127)	(143)
Fair value at June 30, 2012	$ 30,496	$ 7,254	$ 37,750

	2011		
Level 3 roll forward	**Hedged equity funds of funds**	**Private equity and venture capital funds**	**Total**
Beginning value as of July 1, 2010	$ 30,683	$ 6,493	$ 37,176
Acquisitions	-	680	680
Redemptions	(735)	(327)	(1,062)
Net realized and unrealized gains	3,703	571	4,274
Fair value at June 30, 2011	$ 33,651	$ 7,417	$ 41,068

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the Foundation may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

(In thousands of dollars)

Certain hedge funds of funds contain "rolling" lock-up provisions. Under such provisions, tranches of the investment are available for redemption at calendar year-end once every two or three years, if the Foundation makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

Investment liquidity as of June 30, 2012 and 2011 is aggregated below based on redemption or sale period:

	Investment fair values	
	2012	**2011**
Investment redemption or sale period:		
Daily	$ 114,552	$ 112,856
Monthly	23,597	31,560
Subject to rolling lock-ups	30,496	33,651
Illiquid	7,254	7,417
	$ 175,899	$ 185,484

Net Asset Balances

Temporarily Restricted Net Assets
As of June 30, 2012 and 2011, temporarily restricted net assets are available for the following purposes:

	2012	**2011**
Construction of facilities	$ 3,012	$ 4,477
Research grants	13,696	18,465
Faculty chairs and support	5,046	9,035
Lectures and events	247	671
Continuing education program support	1,172	1,827
Scholarships and fellowships	5,750	4,978
Other designated program support	16,595	16,356
	$ 45,518	$ 55,809

Permanently Restricted Net Assets
As of June 30, 2012 and 2011, permanently restricted net assets consist of endowment contributions from donors with income to be used for specific or general purposes as follows:

	2012	**2011**
Faculty chairs	$ 32,908	$ 32,183
Research	25,473	24,003
Construction of facilities	12,210	12,061
Lectureships	1,091	1,038
Scholarships and fellowships	15,113	14,264
Other	4,553	3,199
	$ 91,348	$ 86,748

The Foundation's endowment consists of 289 and 273 funds as of June 30, 2012 and 2011, respectively, that have been established by the Foundation to support faculty chairs, research, lectureships, scholarships, fellowships and other programs at the University. These funds are invested by the Foundation. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Uniform Prudent Management of Institutional Funds Act (the Act)

The Foundation has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the prudence standard prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Spending and Investment Policies

The Foundation has a policy of appropriating for distribution each year 5% of the lesser of (1) each of its eligible endowment fund's average fair value based on the twelve quarters preceding the beginning of the fiscal year end or (2) fair value at the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that exceed the net appreciation classified in temporarily restricted net assets are classified as board designated net assets. Future gains to restore the fair value of the donor-restricted endowment funds to the required level shall first be reported as increases in board designated net assets to the extent of the deficiency with excess reported as increases in temporarily restricted net assets. There are no deficiencies as of June 30, 2012 and 2011.

(In thousands of dollars)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board designated funds. Under this policy, as approved by the Foundation's Finance Committee of the Board of Directors, the endowment assets are invested in a number of different asset classes and investment strategies to diversify the investments to provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment category.

The following represents the net asset classes of the Foundation's board designated and donor-restricted endowment funds as of June 30, 2012 and 2011:

	2012			
	Board designated	Temporarily restricted	Permanently restricted	Total
Board designated endowment funds	$ 37,173	$ -	$ -	$ 37,173
Donor-restricted endowment funds	-	13,889	91,348	105,237
Total endowment funds	37,173	13,889	91,348	142,410
Other non-endowment funds	2,603	31,629	-	34,232
Total net assets	$ 39,776	$ 45,518	$ 91,348	$ 176,642

	2011			
	Board designated	Temporarily restricted	Permanently restricted	Total
Board designated endowment funds	$ 41,717	$ -	$ -	$ 41,717
Donor-restricted endowment funds	-	23,103	86,748	109,851
Total endowment funds	41,717	23,103	86,748	151,568
Other non-endowment funds	1,941	32,706	-	34,647
Total net assets	$ 43,658	$ 55,809	$ 86,748	$ 186,215

(In thousands of dollars)

The following table presents changes in endowments for the year ended June 30, 2012 and 2011:

	Board designated	Temporarily restricted	Permanently	Total
Endowment net assets at June 30, 2010	$ 37,616	$ 7,068	$ 85,023	$ 129,707
Investment income	502	1,078	-	1,580
Net appreciation (realized and unrealized)	8,696	20,107	-	28,803
Contributions	-	-	1,711	1,711
Appropriation of endowment assets for expenditure	(1,995)	(2,702)	-	(4,697)
Cost recovery and investment fees	(952)	(2,448)	-	(3,400)
Refunded to grantor	-	-	-	-
Board designated expenses	(2,150)	-	-	(2,150)
Transfers	-	-	14	14
Endowment net assets at June 30, 2011	41,717	23,103	86,748	151,568
Investment income	522	1,432	-	1,954
Net depreciation (realized and unrealized)	(1,123)	(3,653)	-	(4,776)
Contributions	-	-	4,598	4,598
Appropriation of endowment assets for expenditure	(14)	(4,495)	-	(4,509)
Cost recovery and investment fees	(961)	(2,498)	-	(3,459)
Write-off of contribution receivable	-	-	(50)	(50)
Board designated expenses	(2,969)	-	-	(2,969)
Transfers	-	-	53	53
Endowment net assets at June 30, 2012	$ 37,172	$ 13,889	$ 91,349	$ 142,410

Contributions Receivable

Contributions receivable consist of the following as of June 30, 2012 and 2011:

	2012	2011
Unconditional promises to give, net	$ 16,640	$ 18,347
Receivable under charitable remainder trust agreements	1,961	1,907
	$ 18,601	$ 20,254

Contributions receivable are expected to be received subsequent to June 30, 2012 and 2011 as follows:

	2012	2011
Less than one year	$ 13,774	$ 7,735
One year to five years	4,597	12,454
Five years to ten years	1,978	1,927
Present value discount ranging from 1.5% to 6%	(1,523)	(1,634)
Allowance for uncollectible contributions receivable	(225)	(228)
	$ 18,601	$ 20,254

(In thousands of dollars)

17. Component Unit - Cancer Institute of New Jersey Foundation, Inc.

The following information in note 17 has been taken from the CINJ Foundation's audited financial statements.

Investments
As of June 30, 2012 and 2011 investments consist of the following:

Short-term investments:	2012	2011
Certificates of deposit - temporarily restricted	$ 3,910	$ 2,768
Certificates of deposit - permanently restricted	679	572
Total short-term investments	4,589	3,340
Long-term investments:		
Corporate bonds - temporarily restricted	-	2,210
Exchange traded funds - permanently restricted	-	341
Fair value of $4 million second-to-die universal Life Insurance Policy - permanently restricted	35	49
Total long-term investments	35	2,600
Total investments	$ 4,624	$ 5,940

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Interest and dividend income	$ 24	$ 36	$ (7)	$ 53
Unrealized (loss)	-	(25)	(43)	(68)
Net realized (loss)	-	(8)	(7)	(15)
Net earnings (loss) on investments	$ 24	$ 3	$ (57)	$ (30)

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Interest and dividend income	$ 16	$ 107	$ 17	$ 140
Unrealized (loss) gain	-	(36)	56	20
Net realized gain (loss)	1	(1)	-	-
Net earnings on investments	$ 17	$ 70	$ 73	$ 160

(In thousands of dollars)

Fair Value Accounting
The CINJ Foundation has adopted the accounting guidance related to Fair Value Measurements with respect to its financial assets and liabilities. Fair Value Measurements defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under Fair Value Measurements as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in principal or most advantageous market for the asset or liability in an orderly transaction between market participations on the measurement date. Valuation techniques used to measure fair value under Fair Value Measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs (of which the first two are considered observable) and the last unobservable, that may be used to measure fair value and they are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with Fair Value Measurements, the following table represents the CINJ Foundation's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 4,107	$ -	$ -	$ 4,107
Short-term investments:				
Certificates of deposit - financial services	4,589	-	-	4,589
Long-term investments:				
Life insurance	-	-	35	35
Cash equivalents restricted for long-term purposes	196	-	-	196
Total long-term investments	196	-	35	231
Total investments	$ 8,892	$ -	$ 35	$ 8,927

(In thousands of dollars)

In accordance with Fair Value Measurements, the following table represents the CINJ Foundation's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 3,933	$ -	$ -	$ 3,933
Short-term investments:				
Certificates of deposit - financial services	3,340	-	-	3,340
Long-term investments:				
Corporate bonds - financial services - AAA	-	2,210	-	2,210
Exchange traded fund - S&P500	341	-	-	341
Life insurance	-	-	49	49
Cash equivalents restricted for long-term purposes	3	-	-	3
Total long-term investments	344	2,210	49	2,603
Total investments	$ 7,617	$ 2,210	$ 49	$ 9,876

Money market funds, certificates of deposit, marketable securities and exchange traded funds are valued using quoted market prices in active markets for identical assets. Corporate bonds are valued at market price or market price for similar assets in active markets. In the event that quoted market prices in active markets and other observable measurement criteria are not available, CINJ Foundation will develop measurement criteria based upon the best information available. There have been no changes in the methodologies used for periods presented in these financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CINJ Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a summary of activity for the year ended June 30, 2011 and June 30, 2012 for assets measured at fair value based upon unobservable measure criteria:

Balance, June 30, 2010	$ 39
Change in cash surrender value of life insurance policy purchased	10
Balance, June 30, 2011	49
Change in cash surrender value of life insurance policy purchased	(14)
Balance, June 30, 2012	$ 35

(In thousands of dollars)

Contributions Receivable

Contributions receivable include only unconditional promises to give and are expected to be received subsequent to June 30, 2012 and 2011 as follows:

	2012	2011
One year or less	$ 706	$ 2,087
One year to five years	193	277
	899	2,364
Allowance for uncollectible contributions	(113)	(52)
Present value discount at 3.5% for 2012 and 2011	(20)	(86)
	$ 766	$ 2,226

Contributions receivable are classified as follows as of June 30:

	2012	2011
Unrestricted	$ 98	$ 139
Temporarily Restricted	650	2,069
Permanently Restricted	18	18
	$ 766	$ 2,226

Endowment Funds

Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds provides guidance on the net asset classification of donor restricted endowment funds for not-for-profits subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures relating to endowment funds for all not-for-profits whether or not they are subject to UPMIFA. The State of New Jersey adopted UPMIFA on June 10. 2009.

The CINJ Foundation's endowment consists of four (4) individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the CINJ Foundation has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CINJ Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as permanently restricted net assets until those amounts are appropriated for expenditure by the CINJ Foundation in a manner consistent with the standard of prudence prescribed by state law. The CINJ Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the CINJ Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the CINJ Foundation
- The investment policies of the CINJ Foundation

Return Objectives and Risk Parameters

The CINJ Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The primary purpose of endowment funds is to provide the CINJ Foundation with recurrent and growing financial support to be used in perpetuity to support the mission of the CINJ Foundation or to be used as required by restricted fund stipulations. A secondary objective is to provide the CINJ Foundation with financial support as required by the Board of Trustees in the event of a financial emergency and operating budget deficits.

The CINJ Foundation's investment objectives of Endowment Funds are to:

- Preserve and increase the capital value of the Fund, while providing an annual cash distribution if designated by the Investment Committee of the Board of Trustees.
- Maintain the purchasing power of current and future assets by producing positive inflation adjusted returns.
- Maximize returns within reasonable and prudent levels of risk in accordance within accepted fiduciary standards and maintain an appropriate policy of investment quality and diversification.

The CINJ Foundation continues to be cautious given the ongoing economic climate. The CINJ Foundation started a conservative, timed investment of the existing endowment funds during fiscal year 2010. Holdings associated with this investment plan were liquidated in fiscal year 2012 due to market volatility. All investments are constantly monitored and adjustments are made as considered necessary.

Strategies Employed for Achieving Objectives

The CINJ Foundation had established a long-term endowment strategy at a point in time where the economic climate was quite different than that of today. The investment committee is re-visiting the CINJ Foundation's policies in light of the unpredictable volatility of the financial markets.

(In thousands of dollars)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The primary purpose of the Endowment Fund is to provide the CINJ Foundation with recurrent and growing financial support to be used in perpetuity to support the mission of the CINJ Foundation or to be used as required by restricted fund stipulations. Income from the endowed funds may be used to pay or reimburse the CINJ Foundation for overhead related to the administration of any endowed fund, with details of those payments to be worked out as the need arises in individual cases. A secondary spending objective is to provide the CINJ Foundation with financial support as required by the Board of Trustees in the event of a financial emergency and operating budget deficits.

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2012 and 2011:

	Permanently Restricted	
	2012	**2011**
Endowment net assets, beginning	$ 985	$ 910
Investment return	(57)	73
Contribution (Net)	1	2
Administrative fee	-	-
Endowment net assets, ending - with purpose restrictions	$ 929	$ 985

18. Component Unit - University Physicians Associates of New Jersey, Inc.

The following information in note 18 has been taken from UPA's audited financial statements.

Investments and Assets Whose Use is Limited

Long Term Investments

Long term investments are stated at fair value and consisted of the following as of June 30, 2012 and 2011:

	2012	**2011**
Marketable equity securities	$ 327	$ 288

Assets Limited as to Use

Assets limited as to use at June 30, 2012 and 2011 is set forth in the following table:

	2012	**2011**
Cash and cash equivalents whose use is limited	$ 3,663	$ 1,875

(In thousands of dollars)

Current Investments

The composition of current investments reported as trading securities at June 30, 2012 and 2011 is set forth in the following table:

	2012	2011
Cash and cash equivalents	$ 1,345	$ 1,293
Marketable equity securities	6,598	6,792
U.S. government securities	2,574	934
Bonds	1,051	2,553
Total current investments	$ 11,568	$ 11,572

Investment income and net unrealized gains on long-term investments, cash and cash equivalents whose use is limited, and cash and cash equivalents for the years ended June 30, 2012 and 2011 consisted of the following:

	2012	2011
Interest income	$ 43	$ 1,416
Dividend income	3	3
Net unrealized gain	40	49
	$ 86	$ 1,468

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2012 are as follows:

	Valuation Techniques (1)	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Assets					
Marketable equity securities	M	6,925	-	-	6,925
U.S. government securities	M	-	2,574	-	2,574
Bonds	M	-	1,051	-	1,051
Total assets		$ 6,925	$ 3,625	$ -	$ 10,550

(1) The three valuation techniques are market approach (M), cost approach (C) and income approach (I).

(In thousands of dollars)

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2011 are as follows:

	Valuation Techniques (1)	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Assets					
Marketable equity securities	M	7,079	-	-	7,079
U.S. government securities	M		934	-	934
Bonds	M	-	2,553	-	2,553
Total assets		$ 7,079	$ 3,487	$ -	$ 10,566

(1) The three valuation techniques are market approach (M), cost approach (C) and income approach (I).

At June 30, 2012 and 2011, there was approximately $1.3 million of cash and cash equivalents in investments within the combined statements of assets, liabilities and net assets that are excluded from the charts above as they are not considered recurring fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of assets:

Marketable Equity Securities - Fair value estimates for publicly traded equity securities, money market funds and U.S. government securities are based on quoted market prices are classified as Level 1. UPA does not adjust the quoted price for such assets.

U.S. Government Securities and Bonds - The estimated fair values are based on other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of debt securities that do not trade on a regular basis in active markets or priced using a model-based valuation are classified as Level 2.

Supplementary Information

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University of Medicine and Dentistry of New Jersey

Combining Statements of Net Assets – Piscataway and Newark Centers of University Behavioral HealthCare

(In thousands of dollars)

	June 30, 2012			June 30, 2011		
	Piscataway Center	Newark Center	Total	Piscataway Center	Newark Center	Total
Assets						
Current assets						
Cash and cash equivalents	$ 8,034	$ 4,418	$ 12,452	$ 12,201	$ 1,516	$ 13,717
Accounts receivable, net of allowance for doubtful accounts of $2,286 in 2012 and $2,985 in 2011	4,448	2,126	6,574	5,059	1,620	6,679
Other receivables, net of allowance for doubtful accounts of $18 in 2012 and $23 in 2011	2,002	219	2,221	1,251	5	1,256
Grants Receivable	6,409	1,718	8,127	1,985	638	2,623
Inventories and other assets	76		76	74	-	74
Total current assets	20,969	8,481	29,450	20,570	3,779	24,349
Noncurrent assets						
Capital assets, net	18,520	348	18,868	17,369	383	17,752
Total assets	39,489	8,829	48,318	37,939	4,162	42,101
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	6,154	959	7,113	4,683	651	5,334
Estimated third party payors settlements	120	-	120	1,783	-	1,783
Accrued vacation	2,203	681	2,884	1,405	546	1,951
Due to other funds	439	-	439	472	-	472
Deferred revenue	3,029	1,781	4,810	25	-	25
Long-term debt and capital lease obligations-current	-	-	-	250	-	250
Total current liabilities	11,945	3,421	15,366	8,618	1,197	9,815
Noncurrent liabilities:						
Long-term debt and capital lease obligations	522	254	776	522	254	776
Total liabilities	12,467	3,675	16,142	9,140	1,451	10,591
Net Assets	$ 27,022	$ 5,154	$ 32,176	$ 28,799	$ 2,711	$ 31,510

University of Medicine and Dentistry of New Jersey
Combining Statements of Revenues, Expenses and Changes in Net Assets – Piscataway and Newark Centers of University Behavioral HealthCare
(In thousands of dollars)

	Year ended June 30, 2012			Year ended June 30, 2011		
	Piscataway Center	Newark Center	Total	Piscataway Center	Newark Center	Total
Operating revenues						
Government grants and contracts	$ 18,250	$ 3,647	$ 21,897	$ 16,246	$ 3,967	$ 20,213
Private grants and contracts	627	-	627	1,162	1	1,163
Net patient service revenues	16,116	7,219	23,335	19,562	7,143	26,705
Professional services and contracts	11,312	905	12,217	6,771	112	6,883
Other operating revenues	432	17	449	944	11	955
Total operating revenues	46,737	11,788	58,525	44,685	11,234	55,919
Operating expenses						
Research	539	-	539	891	-	891
Public service	21,586	4,633	26,219	16,498	3,968	20,466
Institutional & administrative support	1,689	380	2,069	(44)	(31)	(75)
Patient care services	48,345	15,515	63,860	44,253	14,904	59,157
Depreciation	1,453	60	1,513	1,823	77	1,900
Insurance and other	436	335	771	438	335	773
Total operating expenses	74,048	20,923	94,971	63,859	19,253	83,112
Operating loss	(27,311)	(9,135)	(36,446)	(19,174)	(8,019)	(27,193)
Nonoperating revenues (expenses)						
State appropriations - operations	13,205	7,612	20,817	10,880	7,825	18,705
Fringe benefits paid by the State	13,646	4,626	18,272	8,365	2,990	11,355
Other	(1,317)	(660)	(1,977)	555	(2,576)	(2,021)
Total nonoperating revenues, net	25,534	11,578	37,112	19,800	8,239	28,039
(Decrease) increase in net assets	(1,777)	2,443	666	626	220	846
Net assets - beginning of year	28,799	2,711	31,510	28,173	2,491	30,664
Net assets - end of year	$ 27,022	$ 5,154	$ 32,176	$ 28,799	$ 2,711	$ 31,510

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND NINTH SUPPLEMENTAL INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND NINTH SUPPLEMENTAL INDENTURE

The statements made herein concerning the Master Indenture and the Ninth Supplemental Indenture are summaries and do not purport to be complete. Such statements use certain terms defined in the Master Indenture and the Ninth Supplemental Indenture and are qualified in their entirety by reference to the detailed provisions of the Master Indenture and the Ninth Supplemental Indenture. References in this summary to the Indenture will be deemed to be references to the Master Indenture.

Certain Definitions

The following are definitions in summary form of certain terms contained in the Indenture and Ninth Supplemental Indenture and used hereinafter:

Account: shall mean a special trust account established under the Indenture.

Act: shall mean Rutgers, The State University Law, Chapter 65 of Title 18A of the New Jersey Statutes Annotated, as amended and supplemented.

Additional Bonds: shall mean one or more Series of Bonds issued under and secured by the Indenture for the purpose of providing funds for each Additional Project.

Additional Project: shall mean one or more Facilities of the University all or part of the cost of which has been or is being financed by Additional Bonds pursuant to the Indenture or refinanced by Refunding Bonds pursuant to the Indenture.

Aggregate Debt Service Requirements: for any Fiscal Year shall mean, as of any date of calculation, the sum of the Debt Service Requirements for such Fiscal Year with respect to all Bonds authenticated and delivered under the Indenture.

Annual Debt Service: shall mean the aggregate of Principal Installments and Interest Requirements as the same become due and payable on all Outstanding Bonds of the University.

Annual Financial Information: shall mean

(a) (i) the Audited Financial Statements of the University for the preceding Fiscal Years (commencing with the Fiscal Years ending June 30, 2012 and June 30, 2011), and Unaudited Financial Statements for such Fiscal Year if such Audited Financial Statements are unavailable, pursuant to the Indenture;

(ii) an update of the tabular information presented in the Official Statement with respect to the Bonds dated June 14, 2013 under "APPENDIX A — INFORMATION CONCERNING THE UNIVERSITY"; and

(iii) the information regarding amendments to the Indenture required pursuant to the Indenture.

Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (ii) above 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; and

(b) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of such financial and operating data listed in (a) above.

Any or all of the items listed above may be included by specific reference to other documents which have been submitted to the MSRB or each NRMSIR and the SID, if any, or filed with the SEC. If such document is an Official Statement, it must be available from the MSRB.

In the event that any of the financial information or operating data constituting Annual Financial Information that no longer can be generated because the operations to which such information or data relate have been materially changed or discontinued, or such information is deemed to be no longer meaningful, a statement to that effect shall be provided in lieu of such information.

Arbitrage Certificate: shall mean the Arbitrage and Use of Proceeds Certificate dated the date of issuance of each Series of Tax Exempt Bonds and the General Obligation Refunding Bonds, 2013 Series J (Tax-Exempt) and the General Obligation Bonds, 2013 Series L (Tax-Exempt), and executed by the Senior Vice President for Finance and Administration of Rutgers, The State University setting forth the expectations, certifications and representations concerning the use of the proceeds of such Bonds and other matters relating to compliance with the Code and consistent with the covenant of the University pursuant to the Indenture.

Audited Financial Statements: shall mean, with respect to the University, the annual financial statements, if any, of the University, audited by such auditor selected by the University. Audited Financial Statements shall be prepared in accordance with accounting principles generally accepted in the United States of America; *provided, however,* that the University may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the University to the Trustee, who shall promptly deliver such notice to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Authorized Denomination: shall mean $5,000 or any integral multiple thereof.

Authorized Newspaper: shall mean two newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, respectively, in the City of Trenton, New Jersey, and in the Borough of Manhattan, City and State of New York.

Authorized Officer of the University: shall mean the President, the Senior Vice President for Finance and Administration, the Secretary, an Assistant Secretary, Senior Vice President for Finance and Administration, the Treasurer, Associate Treasurer or the Chief Financial Officer of the University or any person duly authorized under the Indenture by the University to perform specific acts or duties under the Indenture.

Bond or *Bonds:* shall mean any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture.

Bond Depository: shall mean DTC (or its Nominee).

Bond Facility: shall mean an insurance policy, surety bond or agreement, standby bond purchase agreement, line of credit, letter of credit or other credit enhancement or liquidity facility entered into for the same or similar purposes, with respect to the Bonds.

Bondholder or *Holder of Bonds:* shall mean the registered owner of any Bond or Bonds.

Bond Index: shall mean, at the option of the University, either (i) the index or interest rate as may be submitted in writing to the Trustee by a firm of investment bankers or a financial advisory firm selected by the University to whom the Trustee makes no reasonable objection, as the index or interest rate reasonably reflecting the terms and provisions of the Indebtedness in question, or (ii) with respect to federally tax-exempt borrowing, the Bond Buyer "Revenue Bond Index," as then published most recently by *The Bond Buyer,* New York, New York or the "MMD Index" as published by Municipal Market Data for bonds having a like maturity and rating category.

Bond Proceeds Fund: shall mean that fund established pursuant to the Indenture.

Bond Year: shall have the meaning set forth in the Arbitrage Certificate for such Series of Bonds.

Business Day: shall mean any day which shall not be (i) a Saturday or Sunday, (ii) legal holiday or a day on which banking institutions located in the State or any of the cities in which the principal office of the Trustee, any Paying Agent, any remarketing agent or any provider of a Bond Facility for such Series of Bonds is located, are authorized or required by law or executive order to close, or (iii) a day on which the New York Stock Exchange is closed.

Calendar Year: shall mean a twelve-month period commencing January 1 and ending December 31 of any year.

Certificate of Determination: means the applicable Certificate of Determination for a Series of Bonds, to be delivered on or prior to the date of delivery of the Bonds of such Series. The Senior Vice President for Finance and Administration or any authorized representative of the Senior Vice President for Finance and Administration, the Treasurer or the Chief Financial Officer is authorized by the Ninth Supplemental Indenture to execute any such Certificate of Determination for the purpose of determining certain matters with respect to the 2013 Series Bonds, subject to and in compliance with all applicable requirements of the Indenture and the Ninth Supplemental Indenture.

Code: shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

Commercial Paper: shall mean any indebtedness of the University issued from time to time under the Commercial Paper Resolution, adopted by the Board of Governors of the University on June 15, 2006, with the advice and consent of Board of Trustees of the University on June 15, 2006, as the same may be supplemented and amended.

Construction Account: shall mean that account established pursuant to the Indenture.

Costs of Construction: with respect to any Facility, shall mean the cost of construction, the cost of acquisition by the University of real or personal property or interests therein, the cost of demolishing or removing any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, or premiums on insurance during construction, administrative expenses, legal fees, the cost of all machinery and equipment, financing expenses, fees and expenses of the Trustee and Paying Agents, the cost of plans, specifications, surveys, estimates of cost and revenues, and any other expenses necessary or incidental to determining the feasibility or practicability of constructing such Facility, amounts, if any, required by the Indenture to be paid into the Debt Service Fund and the Debt Service Reserve Fund, if applicable, upon the issuance of any Series, and payments when due (whether at the maturity of principal or due date of interest or upon redemption) on any Indebtedness of the University (other than Bonds), incurred for such Facility, all to the extent applicable to the construction of such Facility and payable by the University, and such other expenses payable by the University not specified in the Indenture as may be necessary or incident to the financing or the construction of such Facility or the acquisition of land therefor and the placing of such Facility in operation.

Costs of Issuance: shall mean all costs related to the proceedings under which Bonds are issued under the Indenture including but not limited to salaries, administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility, a Swap Facility, a Swap Provider, including a Termination Payment, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and Paying Agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers' fees or charges incurred by the University to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with the Indenture.

Costs of Issuance Account: shall mean such account established by the Indenture.

Counsel's Opinion: shall mean an opinion signed by an attorney or firm of attorneys selected by the University (who may be counsel to the University); *provided, however,* that for the purposes of the provisions of the Indenture relating to the authorization and issuance of Bonds and the redemption of Bonds, such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be counsel to the University) selected by the University.

Debt Service Fund: shall mean that fund established pursuant to the Indenture.

Debt Service Fund Requirements: for any Fiscal Year shall mean, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the aggregate of (i) Interest Requirements, except to the extent that such interest shall have been provided for out of Bond proceeds, and (ii) Principal Installments becoming due on all Outstanding Bonds.

Debt Service Requirements: for any Fiscal Year shall mean, as of any date of calculation and with respect to any Series of Bonds, the sum of interest accruing thereon during such Year, except to the extent that such interest shall have been provided for out of the proceeds of such Series of Bonds, and that portion of each Principal Installment for such Series of Bonds coming due on such Bonds during such Year *provided, however,* that for purposes of calculating the Debt Service Reserve Requirement on Variable Rate Indebtedness, the interest rate on such Variable Rate Indebtedness shall be deemed to be the Maximum Rate.

Debt Service Reserve Fund: shall mean that fund established pursuant to the Indenture.

Debt Service Reserve Requirement: shall mean, to the extent required pursuant to the terms of a Supplemental Indenture authorizing such Series of Bonds, as of any date of calculation, an amount not to exceed the lesser of (i) the maximum Debt Service Requirements due on such Series of Bonds for the then current or any future Fiscal Year, (ii) 125% of average annual debt service on such Series of Bonds, or (iii) 10% of the Bond Proceeds (face amount of such Series of Bonds plus accrued interest and premium less original issue discount).

Depositary: shall mean a bank or trust company, which is a member of the Federal Deposit Insurance Corporation, selected by the University as a depositary of moneys and securities held under the provisions of the Indenture, and may include the Trustee.

DTC: means The Depository Trust Company, New York, New York.

Earnings Fund: shall mean that fund established pursuant to the Indenture.

Eighth Supplemental Indenture: means the Eighth Supplemental Indenture of Trust, dated as of November 1, 2010, between the University and the Trustee, authorizing the issuance of the 2010 Series Bonds.

EMMA: shall mean the Electronic Municipal Market Access system for municipal securities disclosures.

Escrow Agents: shall mean, collectively, the University Escrow Agent, the UMDNJ 1997 Series A/B Escrow Agent, the NJEDA Series 2000 Escrow Agent, the UMDNJ 2002 Series A Escrow Agent, the UMDNJ Series 2003 Escrow Agent, the UMDNJ Series 2004 Escrow Agent and the NJEFA Series 2009B Escrow Agent.

Escrow Obligations: shall mean those obligations held by the Escrow Agents pursuant to the terms of each of the respective Escrow Deposit Agreements.

Escrow Subaccounts: shall mean the respective escrow subaccounts created pursuant to the Escrow Agreements in which monies and/or Escrow Obligations will be held for the payment in full of the outstanding principal of, and accrued interest on, the Prior Debt, as set forth in each Escrow Agreement.

Escrow Agreements: shall mean, collectively, the University Escrow Trust Agreement, the UMDNJ 1997 Series A/B Escrow Trust Agreement, the NJEDA Series 2000 Escrow Deposit Agreement, the UMDNJ 2002 Series A Escrow Trust Agreement, the UMDNJ Series 2003 Escrow Trust Agreement, the UMDNJ Series 2004 Escrow Trust Agreement and the NJEFA Series 2009B Escrow Deposit Agreement.

Event: shall mean any of the following events with respect to any Bonds under the Indenture:

(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-exempt status of any Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material;

(ix) tender offers;

(x) defeasances;

(xi) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xii) Rating changes;

(xiii) bankruptcy, insolvency, receivership or similar event of the obligated person;

(xiv) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event Notice: shall mean notice of an Event required to be provided pursuant to the Indenture.

Facility or *Facilities:* shall mean any Additional Project including any structure designed for use as a dormitory or other housing facility, dining facility, student union, academic building, administrative facility, library, classroom building, research facility, faculty office facility, athletic facility, health care facility, laboratory, maintenance, storage or utility facility or other building or structure essential, necessary or useful to the University, or any multi-purpose structure designed to combine two or more of the functions performed by the types of structures enumerated above, and shall include all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, rights-of-way, utilities, easements, machinery and equipment, and all other appurtenances and facilities either on, above or under the ground which are used or usable in connection with any of the aforementioned structures, and shall also include landscaping, site preparation, furniture, machinery, equipment and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended, but does not include items that are customarily, under applicable accounting principles, considered as a current operating charge, unless the category and maximum amount thereof is specifically included by a determination of the University in the financing transaction proceedings and by percentage or otherwise as may be limited pursuant to such proceedings in order to preserve the excludability of the interest on the securities issued therefor from federal taxation under the applicable provisions of the Code, or any subsequent corresponding internal revenue code of the United States as from time to time amended.

Fiduciary or *Fiduciaries:* shall mean the Trustee, the Paying Agents, the Registrar, or any or all of them, as may be appropriate.

Fifth Supplemental Indenture: shall mean the Fifth Supplemental Indenture of Trust, dated as of July 1, 2004, between the University and the Trustee, authorizing the issuance of the 2004 Series E Bonds.

First Supplemental Indenture: shall mean the First Supplemental Indenture of Trust, dated as of February 1, 2002, between the University and the Trustee authorizing the issuance of the 2002 Series A Bonds.

Fiscal Year: shall mean a twelve-month period commencing July 1 and ending June 30 of the next calendar year or such other period of twelve (12) consecutive months as may be adopted by the Board of Trustees.

Fitch: means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the University, by notice to the other Notice Parties.

Fourth Supplemental Indenture: shall mean the Fourth Supplemental Indenture of Trust, dated as of December 1, 2003, between the University and the Trustee, authorizing the issuance of the 2003 Series D Bonds.

Fund: shall mean a special trust fund established under the Indenture.

Indebtedness: shall mean all obligations incurred or assumed by the University for payments of principal and interest with respect to borrowed money including, without limitation, all outstanding Indebtedness of the University under the Indenture, the 1967 Indenture, the 1986 Indenture or the 1987 Indenture.

Information Services: shall mean Financial Information, Inc. "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services, "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service, Inc. "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, New York, New York 10004; and Fitch, One State Street Plaza, New York, New York 10004, Attention: Municipal Bond Department; any NRMSIR, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the State may designate in writing to the Trustee.

Interest Payment Date: means for the 2013 Series Bonds, May 1 and November 1 of each year.

Interest Requirement: shall mean, as of the date of computation with respect to a Calendar Year, an amount equivalent to the aggregate maximum amount coming due during such Calendar Year on any Interest Payment Date, of (i) interest which may be payable on Outstanding Bonds and (ii) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the University shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the University under such Swap; if the University shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the University then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the University under such Swap.

Investment Securities: shall mean and include any securities, if and to the extent the same are at the time legal for investment of the University's funds in accordance with the Act.

Moody's: shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the University, by notice to the other Notice Parties.

MSRB: shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor entity.

Nationally Recognized Bond Counsel: shall mean Hawkins Delafield & Wood LLP or any counsel acceptable to the University and experienced in matters relating to the federal tax exemption of interest on bonds issued by states and their political subdivisions.

1987 Indenture: shall mean that certain Indenture of Trust, dated as of May 1, 1987, as amended and supplemented from time to time, between the University and U.S. Bank National Association (successor to First Union National Bank and First Fidelity Bank, National Association, New Jersey), as Trustee.

1967 Indenture: shall mean that certain Indenture of Trust, dated as of May 1, 1967, as amended and supplemented from time to time, between the University and U.S Bank National Association successor to Wachovia Bank, National Association and First Union National and Fidelity Union Trust Company), as Trustee.

Ninth Supplemental Indenture: shall mean the Ninth Supplemental Indenture of Trust, dated as of July 1, 2013, between the University and the Trustee, amendatory of and authorizing the issuance of the 2013 Series Bonds.

NJEDA: shall mean the New Jersey Economic Development Authority.

NJEDA Series 2000 Escrow Agent: shall mean TD Bank, N.A., as successor to Commerce Bank, National Association, or any successor thereto.

NJEDA Series 2000 Escrow Subaccount: shall mean a special and irrevocable escrow trust account created by the NJEDA Series 2000 Escrow Deposit Agreement and held by the NJEDA Series 2000 Escrow Agent in trust for the payment of that portion of the principal of and redemption premium, if any, and interest on the NJEDA Lease Revenue Bonds, Series 2000 to be refunded with a portion of the proceeds of the 2013 Series J Bonds, as set forth on Exhibit A to the Ninth Supplemental Indenture.

NJEDA Series 2000 Escrow Deposit Agreement: shall mean the Escrow Deposit Agreement, dated as of July 1, 2013, by and among the University, the NJEDA and the NJEDA Series 2000 Escrow Agent, pursuant to which there will be created a NJEDA Series 2000 Escrow Subaccount.

NJEFA: shall mean the New Jersey Educational Facilities Authority.

NJEFA Series 2009B Escrow Agent: shall mean U.S. Bank National Association, or any successor thereto.

NJEFA Series 2009B Escrow Subaccounts: shall mean the special and irrevocable escrow trust accounts created by the NJEFA Series 2009B Escrow Deposit Agreement and held by the NJEFA Series 2009B Escrow Agent in trust for the payment of that portion of the principal of and redemption premium, if any, and interest on the NJEFA Revenue Refunding Bonds, Series 2009B to be refunded in part with a portion of the proceeds of the 2013 Series J Bonds and the 2013 Series K Bonds, as set forth on Exhibit A to the Ninth Supplemental Indenture.

NJEFA Series 2009B Escrow Deposit Agreement: shall mean an Escrow Deposit Agreement, dated as of July 1, 2013, by and among the University, Rowan, University Hospital, the NJEFA and the NJEFA Series 2009B Escrow Agent, pursuant to which there will be created the NJEFA Series 2009B Escrow Subaccounts.

Nominee: means Cede & Co., nominee of DTC.

Notes: shall mean any obligations or other evidences of indebtedness or borrowing of the University, other than Bonds, issued for the purposes of the Act to provide funds for deposit in the Construction Fund and issued in anticipation of Bonds.

Notice Parties: means the University and the Trustee.

NRMSIR: shall mean, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of the Indenture are: Bloomberg Municipal Repository (Skillman, NJ), DPC Data Inc. (Fort Lee, NJ), FT Interactive Data (New York, NY) and Standard and Poor's J.J. Kenny Repository (New York, NY).

Official Statement: shall mean the "final official statement," as defined in paragraph (f)(3) of the Rule, relating to any Series of Bonds.

Operating Cost: shall mean, as of any particular date, the University's operating expenses and all other expenses of carrying out and administering its powers, duties and functions under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Trustee, the Depositary and the Paying Agent including Costs of Issuance other than Costs of Issuance paid from proceeds of Bonds, payments to pension, retirement, health and hospitalization funds. Operating Costs may also include administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility, a Swap Facility or a Swap Provider, (including any Termination Payments but not including Reimbursement Obligations, Swap Payments or other termination payments).

Outstanding: when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(i) Any Bonds cancelled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(iv) Bonds deemed to have been paid as provided in the Indenture.

Paying Agent: shall mean any bank or trust company designated as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Indenture.

Principal: shall mean the principal amount of the Bonds of a Series as due on a certain future date.

Principal Installment: for any Calendar Year, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding,

> (i) the principal amount of Bonds of said Series which mature in such Year, reduced by the aggregate principal amount of such Bonds which would be retired before such year by reason of the payment when due of, and application in accordance with the Indenture of, Sinking Fund Installments payable before such year for the retirement of such Bonds, plus
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> (ii) the unsatisfied balance (determined as provided in the Indenture) of the Sinking Fund Installments, if any, due during such Year for the Bonds of such Series.

Principal Installment Date: shall mean each date on which Principal and Sinking Fund Installments, if any, are payable on the Bonds as provided in or pursuant to the Indenture (or, if such date is not a Business Day, the immediately succeeding Business Day).

Prior Debt: shall mean collectively, the University Prior Debt and UMDNJ Prior Debt.

Purchase Contract: means the Contract of Purchase with respect to the 2013 Series Bonds by and between the University and Morgan Stanley & Co. LLC, representative of the underwriters of the 2013 Series Bonds.

Rating Agency: shall mean Standard & Poor's, Moody's or Fitch and such other nationally recognized securities rating agency as shall then have a rating assigned to the 2013 Series Bonds.

Rebate Amount: shall have the meaning set forth in the respective Arbitrage Certificate.

Rebate Fund: shall mean that fund established pursuant to the Indenture.

Record Date: shall mean the fifteenth day of each April and October.

Redemption Fund: shall mean that fund established pursuant to the Indenture.

Redemption Price: shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunding Bonds: shall mean all Bonds whether issued in one or more Series, authenticated and delivered on original issuance pursuant to the Indenture and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

Registrar: shall mean the Trustee serving in such capacity as provided in the Indenture.

Reimbursement Obligation: shall mean any obligation of the University to make payments to a provider of a Bond Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying

(i) the Principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or

(ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Supplemental Indenture,

but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not, unless otherwise provided for, include (i) any payments of any fees, expenses, or other similar obligations to any such provider, unless specifically included as a part thereof and approved as a portion of the Special Debt Service Requirement, or (ii) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

Restructuring Act: shall mean the "New Jersey Medical and Health Sciences Education Restructuring Act", which was passed by the State of New Jersey Assembly and Senate on June 28, 2012, and signed into law by Governor Chris Christe on August 22, 2012 as P.L. 2012, c. 45.

Rowan: shall mean Rowan University, a public institution of higher education organized and established by the State pursuant to the Higher Education Act, N.J.S.A. 18A:62-1 et seq., the State College Act, N.J.S.A. 18A:64-1 et seq.

Rule: shall mean 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 the Indenture, including any official interpretations thereof issued either before or after such date which are applicable to the Indenture.

SEC: shall mean the United States Securities and Exchange Commission or any successor agency.

Second Supplemental Indenture: shall mean the Second Supplemental Indenture of Trust, dated as of November 1, 2002, between the University and the Trustee authorizing the issuance of the 2002 Series B Bonds.

Securities Depositories: shall mean The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax - (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax - (215) 496-5058; or successor entities, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories or any such other depositories as the University may designate in writing to the Trustee.

Series or *Bonds of a Series:* or words of similar meaning, shall mean the Series of Bonds authorized by the Indenture and a Supplemental Indenture.

Seventh Supplemental Indenture: shall mean the Seventh Supplemental Indenture of Trust, dated as of May 1, 2009, between the University and the Trustee, authorizing the issuance of the 2009 Series G Bonds.

SID: shall mean, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of the Indenture, there is no SID.

Sinking Fund Installment: shall mean, for any Calendar Year as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Indenture or a Supplemental Indenture to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the University by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

Sixth Supplemental Indenture: shall mean the Sixth Supplemental Indenture of Trust, dated as of February 1, 2009, between the University and the Trustee, authorizing the issuance of the 2009 Series F Bonds.

Special Debt Service Requirements: shall mean for any period, and with respect to the Bonds, subject to the Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum of (A) the Principal Installments and interest accruing and coming due during such period, (B) the amounts, if any, required, with respect to interest rate fluctuations on variable rate debt, (C) annual expenses of issuance and administration with respect to securities, (D) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to authority granted under the proceedings authorizing the issuance of securities, (E) net amounts owing under interest rate agreements authorized and effective, (F) arbitrage rebate requirements and (G) any other annual costs or expenses necessary or proper to be paid in connection with the securities, including, without limitation, the annual cost of any Bond Facility, issued by a financial institution pursuant to an agreement approved in the financing transaction proceedings.

Standard & Poor's: shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the University, by notice to the other Notice Parties.

State: shall mean the State of New Jersey.

Subordinated Swap or *Subordinated Swap Payments:* shall mean either a financial arrangement that meets the definition of Swap or a net amount to be paid by the University under such financial arrangement that meets the definition of Swap Payment but does not qualify as a Swap or Swap Payment, respectively, and is expressly subordinated pursuant to the Indenture.

Supplemental Indenture: shall mean any series or supplemental indenture entered into by the Trustee and the University pursuant to and in compliance with the provisions of the Indenture dealing with the authorization and issuance of Bonds and the redemption of Bonds, providing for the issuance of Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of the Indenture dealing with supplemental indentures amending or supplementing the provisions of the Indenture as originally executed or as theretofore amended or supplemented, including the Ninth Supplemental Indenture.

Surety: shall mean any surety agreement, insurance agreement, letter of credit or other type of agreement or arrangement satisfying the provisions of the Indenture or of any applicable Supplemental Indenture authorizing a Series of Bonds, which provides for the availability, at all times required under the Indenture or under any such Supplemental Indenture, of the amount of money or the value of the Investment Obligations in lieu of which such agreement or arrangement is substituted; provided that (i) the financial institution providing such Surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that, or (ii) the Surety, is assigned any of the three highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. or Fitch and is then rating such financing institution or Surety; and provided further that if the financial institution providing or guaranteeing such Surety is an insurance company, the claims-paying ability of such insurance company shall be assigned any of the three highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. or Fitch and is then rating such insurance company.

Swap: shall mean any financial arrangement (i) that is entered into by the University with an entity that is a Swap Provider at the time the arrangement is entered into; (ii)(a) which provides that the University shall pay to such entity an amount based on the interest accruing at a fixed rate on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued under the Indenture, and that such entity shall pay to the University an amount based on the interest accruing on the Notional Amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii)(c) below, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; (b) which provides that the University shall pay to such entity an amount based on the interest accruing on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued under the Indenture, at a variable rate of interest computed according to a formula set forth in such arrangement and that such entity shall pay to the University an amount based on the interest accruing at a fixed rate on the Notional Amount (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii)(c) below, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; or (c) which is included as part of or covered by the financial transaction described in (ii)(a) or (ii)(b) above or is separately executed and which is a cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated) or any combination thereof or any option with respect thereto executed by the University for the purpose of moderating interest rate fluctuations or otherwise; and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the University and authenticated or otherwise registered by the Trustee under the Indenture as a Swap with respect to a Series of Bonds or Notes. "Swap" shall also include any such financial arrangement described in clauses (ii) and

(iii) above entered into by the University with a Swap Provider, as a replacement of a Swap that has been terminated and which has been so designated in writing to the Trustee by an Authorized Officer of the University with respect to a Series of Bonds or Notes.

Swap Agreement: shall mean a certain ISDA Master Agreement, dated as of September 14, 2001, by and between the University and Morgan Guaranty Trust Company of New York (now known as JPMorgan Chase Bank National Association), as swap provider entered into in connection with the 2002 Series A Bonds.

Swap Facility: shall mean an insurance policy, surety bond, letter of credit or other credit enhancement with respect to a Swap or any similar facility entered into for the same or similar purposes and may include Investment Obligations properly pledged to the University under the Indenture pursuant to the Swap Facility or by the Swap Provider, in each case sufficient to maintain any existing rating of the University's long term debt. Payments by the University under a Swap Facility related to a Swap shall be deemed Swap Payments under the Indenture and shall not be deemed Reimbursement Obligations and payments to the University under a Swap Facility related to a Swap shall be deemed Swap Receipts. Payment by the University under a Swap Facility applicable to any fees, expenses or similar other charges or obligations thereunder shall be a Cost of Issuance or Operating Cost, as applicable.

Swap Payment: shall mean the net amount required to be paid by the University under a Swap (that is not a Subordinated Swap Payment) that is applicable to the interest rate exchange effected thereunder, but not any (a) fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or Operating Expense, as applicable) or (b) any Termination Payment or other payments by the University on account of termination of the Swap.

Swap Provider: shall mean a financial institution whose long term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long term debt obligations are (i) rated at least in the three highest rating categories by at least two nationally recognized rating agencies, or (ii) secured by a pledge of Investment Obligations in amounts sufficient to achieve the ratings described in (i) above, or (iii) meeting the requirements set forth in any Supplemental Indenture relating thereto.

Swap Receipt: shall mean the net amount required to be paid to the University under a Swap, but shall not include any Termination Receipt.

Taxable 2013 Series Bonds: shall mean the 2013 Series K Bonds.

Tax-Exempt 2013 Series Bonds: shall mean, collectively, the 2013 Series J Bonds and the 2013 Series L Bonds.

Termination Payment: shall mean, with respect to a Swap, an amount required to be paid by the University to the Swap Provider or related Swap Facility as a result of the termination of the Swap or required to be paid by the University into a collateral account as security for any termination provided, (a)(i) that such termination occurs prior to the next succeeding Interest Payment Date, and (ii) that any such required amount is not due prior to the next succeeding Interest Payment Date, and (b) that any payment by the University on account of termination of either a Swap other than as described in (a) above or a Subordinated Swap shall be deemed a Subordinated Swap Payment under the Indenture.

Termination Receipt: shall mean with respect to a Swap an amount required to be paid by the Swap Provider or related Swap Facility as a result of the termination of the Swap.

Third Supplemental Indenture: shall mean the Third Supplemental Indenture of Trust, dated as of July 1, 2003, between the University and the Trustee, authorizing the issuance of the 2004 Series C Bonds.

Trustee: shall mean U.S Bank National Association, successor to Wachovia Bank, National Association and First Union National Bank, a national banking association, in its capacity as Trustee under the Indenture, and its successors in such capacity and their assigns appointed in the manner provided in the Indenture.

2004 Series E Bonds: shall mean the University's $86,725,000 aggregate principal amount of Rutgers, The State University General Obligation Bonds, 2004 Series E, issued, executed, authenticate and delivered under the Indenture and the Fifth Supplemental Indenture.

2009 Series F Bonds: shall mean the University's $233,105,000 aggregate principal amount of Rutgers, The State University General Obligation and Refunding Bonds, 2009 Series F, issued, executed, authenticated and delivered under the Indenture and the Sixth Supplemental Indenture.

2009 Series G Bonds: shall mean the University's $80,000,000 aggregate principal amount of Rutgers, The State University General Obligation Bonds, 2009 Series G, issued, executed, authenticated and delivered under the Indenture and the Seventh Supplemental Indenture.

2013 Projects: shall mean the projects to be financed and/or refinanced, in whole or in part, with the proceeds of the 2013 Series L Bonds, as described in Exhibit C attached to the Ninth Supplemental Indenture.

2013 Series Bonds: shall mean, collectively, (i) the University's $340,925,000 aggregate principal of Rutgers, The State University General Obligation Refunding Bonds, 2013 Series J (Tax-Exempt), (ii) the University's $134,100,000 aggregate principal of Rutgers, The State University General Obligation Refunding Bonds, 2013 Series K (Federally Taxable) and (iii) the University's $352,065,000 aggregate principal of Rutgers, The State University General Obligation Bonds, 2013 Series L (Tax-Exempt), issued, executed, authenticated and delivered under the Master Indenture and the Ninth Supplemental Indenture.

2013 Series J Bonds: shall mean the University's $340,925,000 aggregate principal of Rutgers, The State University General Obligation Refunding Bonds, 2013 Series J (Tax-Exempt), issued, executed, authenticated and delivered under the Master Indenture and the Ninth Supplemental Indenture.

2013 Series K Bonds: shall mean the University's $134,100,000 aggregate principal of Rutgers, The State University General Obligation Refunding Bonds, 2013 Series K (Federally Taxable), issued, executed, authenticated and delivered under the Master Indenture and the Ninth Supplemental Indenture.

2013 Series L Bonds: shall mean the University's $352,065,000 aggregate principal of Rutgers, The State University General Obligation Bonds, 2013 Series L (Tax-Exempt) issued, executed, authenticated and delivered under the Master Indenture and the Ninth Supplemental Indenture.

2010 Series H Bonds: shall mean the University's $390,990,000 aggregate principal of Rutgers, The State University General Obligation Bonds, 2010 Series H (Federally Taxable – Build America Bonds), issued, executed, authenticated and delivered under the Master Indenture and the Eighth Supplemental Indenture.

2010 Series I Bonds: shall mean the University's $40,830,000 aggregate principal of Rutgers, The State University General Obligation Bonds, 2010 Series I (Tax-Exempt), issued, executed, authenticated and delivered under the Master Indenture and the Eighth Supplemental Indenture.

2003 Series C Bonds: shall mean the University's $111,320,000 aggregate principal amount of Rutgers, The State University General Obligation Refunding Bonds, 2003 Series C, issued, executed, authenticated and delivered under the Indenture and the Third Supplemental Indenture.

2003 Series D Bonds: shall mean the University's $24,805,000 aggregate principal amount of Rutgers, The State University General Obligation Bonds, 2003 Series D, issued, executed, authenticated and delivered under the Master Indenture and the Fourth Supplemental Indenture.

2002 Series A Bonds: shall mean the University's $110,000,000 aggregate principal amount of Rutgers, The State University General Obligation Bonds, 2002 Series A issued, executed, authenticated and delivered under the Indenture and the First Supplemental Indenture.

2002 Series B Bonds: shall mean the University's $50,000,000 aggregate principal amount of Rutgers, The State University General Obligation Bonds, 2002 Series B issued, executed, authenticated and delivered under the Indenture and the Second Supplemental Indenture.

UMDNJ: shall mean the University of Medicine and Dentistry of New Jersey organized under the "Medical and Dental Education Act of 1970," P.L. 1970, c. 102, and "the University of Medicine and Dentistry of New Jersey Flexibility Act of 1992," P.L. 1992, c. 84.

UMDNJ 1997 Series A/B Escrow Agent: shall mean U.S. Bank National Association, as successor to First Union National Bank, or any successor thereto.

UMDNJ 1997 Series A Escrow Subaccount: shall mean a special and irrevocable escrow trust account created by the UMDNJ 1997 Series A/B Escrow Trust Agreement and held by the UMDNJ 1997 Series A/B Escrow Agent in trust for the payment of the principal of and redemption premium, if any, and interest on the UMDNJ Certificates of Participation, 1997 Series A to be refunded with a portion of the proceeds of the 2013 Series J Bonds.

UMDNJ 1997 Series A/B Escrow Trust Agreement: shall mean an Escrow Trust Agreement, dated as of July 1, 2013, by and between the University and the UMDNJ 1997 Series A/B Escrow Agent, pursuant to which there will be created a UMDNJ 1997 Series A Escrow Subaccount and a UMDNJ 1997 Series B Escrow Subaccount.

UMDNJ 1997 Series B Escrow Subaccount: shall mean a special and irrevocable escrow trust account created by the UMDNJ 1997 Series A/B Escrow Trust Agreement and held by the UMDNJ 1997 Series A/B Escrow Agent in trust for the payment of the principal of and redemption premium, if any, and interest on the UMDNJ Certificates of Participation, 1997 Series B to be refunded with a portion of the proceeds of the 2013 Series J Bonds.

UMDNJ Prior Debt: shall mean, collectively, those portions of the bonds and debt listed on Exhibit A to the Ninth Supplemental Indenture.

UMDNJ 2002 Series A Escrow Agent: shall mean U.S. Bank National Association, as successor to State Street Bank & Trust Co., N.A., or any successor thereto.

UMDNJ 2002 Series A Escrow Subaccounts: shall mean the special and irrevocable escrow trust accounts created by the UMDNJ 2002 Series A Escrow Trust Agreement and held by the UMDNJ 2002 Series A Escrow Agent in trust for the payment of a portion of the principal of and redemption premium, if any, and interest on the UMDNJ Bonds, 2002 Series A to be refunded in part with a portion of the proceeds of the 2013 Series J Bonds, as set forth on Exhibit A to the Ninth Supplemental Indenture.

UMDNJ 2002 Series A Escrow Trust Agreement: shall mean an Escrow Trust Agreement, dated as of July 1, 2013, by and between the University, Rowan, University Hospital and the UMDNJ 2002 Series A Escrow Agent, pursuant to which there will be created the UMDNJ 2002 Series A Escrow Subaccounts.

UMDNJ Series 2003 Escrow Agent: shall mean U.S. Bank National Association, as successor to Wachovia Bank, National Association, or any successor thereto.

UMDNJ Series 2003 Escrow Subaccount: shall mean a special and irrevocable escrow trust account created by the UMDNJ Series 2003 Escrow Trust Agreement and held by the UMDNJ Series 2003 Escrow Agent in trust for the payment of the principal of and redemption premium, if any, and interest on the UMDNJ Certificates of Participation, Series 2003 to be refunded with a portion of the proceeds of the 2013 Series Bonds.

UMDNJ Series 2003 Escrow Trust Agreement: shall mean an Escrow Trust Agreement, dated as of July 1, 2013, by and between the University and the UMDNJ Series 2003 Escrow Agent, pursuant to which there will be created a UMDNJ Series 2003 Escrow Subaccount.

UMDNJ Series 2004 Escrow Agent: shall mean U.S. Bank National Association, as successor to Wachovia Bank, National Association, or any successor thereto.

UMDNJ Series 2004 Escrow Subaccount: shall mean a special and irrevocable escrow trust account created by the UMDNJ Series 2004 Escrow Trust Agreement and held by the UMDNJ Series 2004 Escrow Agent in trust for the payment of the principal of and redemption premium, if any, and interest on the UMDNJ Certificates of Participation, Series 2004 to be refunded with a portion of the proceeds of the 2013 Series Bonds.

UMDNJ Series 2004 Escrow Trust Agreement: shall mean an Escrow Trust Agreement, dated as of July 1, 2013, by and between the University and the UMDNJ Series 2004 Escrow Agent, pursuant to which there will be created a UMDNJ Series 2004 Escrow Subaccount.

Unaudited Financial Statements: shall have the same meaning as Audited Financial Statements, except that they shall not have been audited.

University: shall mean Rutgers, The State University, a public educational corporation, organized and existing under and by virtue of a royal charter granted November 10, 1766, as amended and confirmed by the State of New Jersey, and having its principal office in the City of Brunswick, New Jersey.

University Escrow Agent: shall mean U.S. Bank National Association, the escrow trust agent under the University Escrow Trust Agreement, or any successor thereto.

University Escrow Trust Agreement: shall mean the Escrow Trust Agreement, dated as of July 1, 2013, between the University and the University Escrow Agent pursuant to which there will be created a University 2002 Series B Escrow Subaccount, a University 2003 Series C Escrow Subaccount and a University 2004 Series E Escrow Subaccount.

University Hospital: shall mean the State hospital created as a body corporate and politic and an instrumentality of the State under C18A:64-G-6 of the Restructuring Act.

University Prior Debt: means, collectively, those portions of the bonds and debt listed on Exhibit B to the Ninth Supplemental Indenture.

Variable Interest Base Rate: shall mean with respect to any Variable Interest Rate Notes or Bonds or Swap Payments, the average interest rate borne by such series of Variable Interest Rate Notes or Bonds or Swap Payments for the twelve full calendar months (or such lesser period as such Series of Variable Interest Rate Notes or Bonds or Swap Payments shall be outstanding) preceding the date of calculation.

Variable Interest Rate: shall mean a variable interest rate to be borne by any Bond or Note within a Series of Bonds or Notes or by any Swap (whether a Swap Payment or Swap Receipt). The method of computing such variable interest rate shall be specified in the Supplemental Indenture authorizing such Series of Bonds or Notes or the Swap relating thereto. Such Supplemental Indenture or Swap shall also specify either (i) the particular period or periods of time for which such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

Variable Interest Rate Bonds or *Notes* or *Swap Payments:* shall mean Bonds or Notes which bear a Variable Interest Rate or a Swap Payment which by the terms of the Swap requires and provides for a Variable Interest Rate Swap Payment by the University.

Variable Interest Rate Calculation Rate: shall mean with respect to each Calendar Year (i) with respect to Variable Interest Rate Bonds or Notes or Swap Payments bearing a Variable Interest Rate, which is not capped pursuant to the Swap or a Swap Facility, and/or is for a period or periods of time ending prior to the next immediate Interest Payment Date, the interest rate thereon in effect (pursuant to the Variable Interest Rate Bonds or Notes or a Swap applicable thereto) until the next date of change (being the date of calculation referred to in the definition of Variable Interest Base Rate) and thereafter for the balance of such Calendar Year the Variable Interest Base Rate or (ii) with respect to Variable Interest Rate Bonds or Notes or Swap Payments bearing a Variable Interest Rate which, for a period of time ending prior to the next immediate Interest Payment Date, is either capped by its terms or pursuant to the Swap or a Swap Facility or is fixed, the lesser of (a) the interest rate by which the Variable Interest Rate is so capped if less than the rate calculated in (i) above or (b) the Variable Interest Rate, so fixed, on the Variable Interest Rate Bonds or Notes or Swap Payments, respectively (pursuant to the Variable Interest Rate Bonds or Notes or a Swap applicable thereto).

Authorization of Bonds; General Obligations

Under the Indenture, Bonds issued and authenticated are direct and general obligations of the University, the full faith and credit of which has been pledged by the University to the payment of the principal and Redemption Price of and interest on all of the Bonds (provided, however, there shall be excluded from the pledge of the Indenture any revenues, moneys, securities or funds heretofore or hereafter specially pledged by the University for the payment of other bonds, notes or other indebtedness); and the Bonds are further secured by a pledge of all amounts and investment earnings thereon held by the Trustee in the Funds established under the Indenture (other than any amounts held in the Rebate Fund and in any funds or accounts established under the applicable Supplemental Indenture and intended to be excluded from the pledge of the Indenture).

Bonds issued under the Indenture shall not be deemed to constitute a debt or liability of the State or any municipality thereof or a pledge of the faith and credit of the State or of any such municipality and the Bonds, Notes, Swaps, Subordinated Swaps, obligations of the University under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Termination Payments or other similar obligations of or payments by the University issued or incurred shall not constitute a debt or liability issued or guaranteed by or otherwise of the State.

(Indenture, Section 2.1)

General Provisions for Issuance of Bonds

The Supplemental Indenture authorizing the issuance of Bonds must specify or provide for all of the following matters: the authorized principal amount of said Series of Bonds; the purposes for which such Series of Bonds are being issued, which shall be one or more of the purposes of the Act; the date or dates of issue, maturity date or dates and amounts of each maturity of the Bonds of said Series; the interest rate or rates, or the manner of determining such rate or rates of the Bonds of said Series, and the interest payment dates (thereafter each an Interest Payment Date) therefor; the denomination or denominations of, and the manner of numbering and lettering, the Bonds of such Series; the Paying Agent and, subject to the provisions of the Indenture, the place or places of payment of the principal, Sinking Fund Installments, if any, and Redemption Price, if any, of and interest on the Bonds of such Series; the Redemption Price or Redemption Prices, if any, and, subject to the redemption provisions of the Indenture, the redemption terms, if any, for the Bonds of such Series; the form or forms of the Bonds of such Series (including whether such Bonds shall be issued in book-entry only form or definitive form) and the Trustee's certificate of authentication; directions for the application of the proceeds of the Bonds of such Series; any other provisions determined to be necessary, convenient or desirable to better secure the Bonds or to make the Bonds more marketable and which are in the best interests of the University and not in conflict with the provisions of the Act and the Indenture, including but not limited to the funding of a Debt Service Reserve Fund with respect to such Series; and the provisions relating to a Swap, if any, or Swap Facility for the purpose of moderating interest rate fluctuations in connection with the issuance of the Bonds of such Series provided, however, in connection with the execution of a Swap related to a Series of Outstanding Bonds or a portion thereof, a Supplemental Indenture authorizing such Swap and identifying such Bonds of such

Series to which the Swap relates and otherwise setting forth the applicable provisions under this heading shall be adopted.

(Indenture, Section 2.2)

Conditions Precedent to Delivery of Bonds

All Bonds issued under the Indenture and Supplemental Indentures to the Indenture shall be executed by the University for the original issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the University or upon its order, but only upon receipt by the Trustee of (a) a copy of the Indenture and any such Supplemental Indentures, certified by an Authorized Officer of the University; (b) a copy, certified by an Authorized Officer of the University, of the resolution or resolutions of the appropriate board or boards of the University authorizing and providing the terms of such Bonds and providing for the sale or exchange thereof, and if the authority to make determinations as to sale or exchange of such Bonds shall be delegated or vested in an Authorized Officer of the University, a certificate of such Officer as to such sale or exchange; (c) the written order of the University as to the delivery of such Bonds signed by an Authorized Officer of the University describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds; (d) a Counsel's Opinion dated as of the date of such delivery by the Trustee to the effect that (i) the Indenture and the Supplemental Indenture authorizing the issuance of such Bonds, if any, have been duly and lawfully entered into by the University, are in full force and effect and are valid and binding upon the University and enforceable in accordance with their terms, (ii) the Indenture creates the valid pledge which it purports to create of the moneys, securities and funds held or set aside under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture, and (iii) upon the execution, authentication and delivery thereof, such Bonds will be duly and validly issued and will constitute valid and binding general obligations of the University entitled to the benefits of the Indenture and such applicable Supplemental Indenture; (e) except in the case of Refunding Bonds, a Certificate of an Authorized Officer of the University stating that the University is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture; and (f) such further documents, opinions, moneys and securities as are required by the provisions of the Act, the provisions under this heading, the provisions under the immediately succeeding heading, the provisions of the Indenture regarding Events of Default and remedies of bondholders, or any Supplemental Indenture adopted pursuant to the provisions of the Indenture regarding supplemental indentures.

(Indenture, Section 2.3)

Additional Bonds for Additional Projects and Other Purposes

One or more Series of Additional Bonds may be issued under and secured by the Indenture for the purpose of providing funds for each Additional Project (including for the purpose of completing any Project or the funding of any deficiency in the Debt Service Reserve Fund if required pursuant to the respective Supplemental Indenture). The Bonds of each such Series shall be authenticated and delivered by the Trustee only upon receipt by it of, among other things, a certificate of an Authorized Officer of the University stating that the University is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture.

(Indenture, Section 2.4)

Refunding Bonds

One or more series of Refunding Bonds may be authenticated and delivered to refund any Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits as are required by the provisions of the Act and the Indenture.

A series of Refunding Bonds may be authenticated and delivered upon original issuance only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the Indenture) of:

(i) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date, if any, specified in such instructions;

(ii) Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in the provisions regarding submission of Annual Financial Information (if applicable) to the Holders of the Bonds being refunded;

(iii) One of the following:

> (a) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or
>
> (b) Investment Obligations of the type described in the Indenture, in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to provide moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, which money or Investment Obligations shall be held by the Trustee or any one or more of the Paying Agents in a separate account in trust under the Indenture, or
>
> (c) any combination of (i) and (ii) above; and

(iv) a Certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of clauses (a), (b), and (c) above.

Any balance of the proceeds of the Bonds of each such Series shall be deposited in such Funds or Accounts as shall be specified in the Supplemental Indenture authorizing such series of Refunding Bonds.

(Indenture, Section 2.5)

Application of Bond Proceeds

Except as otherwise expressly provided in the Indenture, proceeds of Bonds, upon their issuance, sale and delivery, shall be deposited in the Funds, Accounts or sub-accounts of the

University in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Bonds and shall be expended solely for the purposes for which amounts in said Funds, Accounts or sub-accounts, respectively, may be expended in accordance with the provisions of the Indenture.

Accrued interest, if any, received upon the delivery of any Bonds and the amount received as a net premium over the principal amount of such Bonds, if any, upon delivery of such Bonds shall be deposited in the Costs of Issuance Account or otherwise, as set forth in the Supplemental Indenture.

The proceeds of sale of the Bonds of a series of Refunding Bonds shall be deposited in the Redemption Fund or shall be applied as otherwise provided in the Supplemental Indenture authorizing the issuance of such Bonds.

(Indenture, Section 4.1)

Establishment of Funds

The University establishes and creates the following funds and accounts to be held by the Treasurer, the University or the Trustee as set forth opposite such Fund or Account:

(a) Bond Proceeds Fund to be held by the University
  (i) Construction Account
  (ii) Costs of Issuance Account.
(b) Debt Service Fund to be held by the Trustee.
(c) Debt Service Reserve Fund (if required pursuant to the Supplemental Indenture authorizing such Series of Bonds) to be held by the Trustee.
(d) Redemption Fund to be held by the Trustee.
(e) Earnings Fund to be held by the Trustee.
(f) Rebate Fund to be held by the Trustee.

The University reserves the right and power, subject to the Indenture, to establish additional funds, accounts and sub-accounts under the Indenture. All funds, accounts and sub-accounts created under the Indenture, in addition to other funds, accounts or sub-accounts from time to time established under the Indenture, shall be held and maintained by the Trustee or the University in accordance with the terms of the Indenture.

(Indenture, Section 5.1)

Bond Proceeds Fund

Amounts in each separate account established for the Facilities and any such Additional Project shall be applied to the payment of Costs of Construction, including the purpose or purposes specified in the Supplemental Indenture authorizing the Bonds issued with respect to the Facilities and any such Additional Project, as the case may be, and pending such application such amounts shall be subject to a lien and charge in favor of the Bondholders. Amounts in the Construction Account, in the discretion of the University, may be invested in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay the costs to which such moneys are applicable. Upon the filing of a certificate by an Authorized Officer of the University evidencing completion of construction of any Additional Project, any balance remaining in the separate account of the Construction Account established for such Additional Project in excess of the amount, if any, stated in such certificate shall be paid over to the Trustee for deposit in the Debt Service Reserve Fund, if and to the extent necessary to make the amount in such Fund equal to the Debt Service Reserve Requirement with respect to such Series of Bonds, if applicable, and any remaining balance in said separate account of the Construction Account shall, upon written direction of the University, be applied to the Costs of Construction of any other Additional Project or be deposited in the Redemption Fund and applied to the purchase or redemption of Bonds pursuant to provisions regarding the Redemption Fund. The University covenants to use the proceeds of the Bonds in a manner consistent with the Arbitrage Certificate and the preservation of the interest exemption on the Bonds pursuant to Section 103 of the Code.

Within the Bond Proceeds Fund the University shall maintain a separate account designated "Costs of Issuance Account." There shall be deposited in the Costs of Issuance Account (i) all moneys required to be deposited therein both pursuant to the Indenture and pursuant to a Supplemental Indenture under which Bonds are issued and (ii) all other moneys of the University available therefore, as determined by the University. The University shall apply amounts in the Costs of Issuance Account to pay the Costs of Issuance incurred in connection with the authorization, issuance and delivery of the corresponding Bonds.

After payment of all Costs of Issuance on the Bonds, any interest earnings in the Bond Proceeds Fund remaining shall be remaining amounts and credited for deposit in the Debt Service Reserve Fund, if and to the extent necessary to make the amount in such Fund equal to the Debt Service Reserve Requirement with respect to such Series of Bonds, if applicable, and any remaining balance in said separate account in the Costs of Issuance Account shall, upon written direction of the University, be applied to the Costs of Construction of any other Additional Project or be deposited in the Redemption Fund and applied to the purchase or redemption of Bonds pursuant to the provisions of the Indenture regarding payment of redeemed Bonds, and, prior thereto, any such amounts shall be credited to such fund or account thereof as shall be necessary to comply with the Arbitrage Certificate and the provisions of the Indenture regarding the Rebate Fund and, upon determination of the University, to meet an expenditure exception to the rebate requirement of the Code.

(Indenture, Section 5.2)

Payments

Except as otherwise provided in the applicable Supplemental Indenture, the University shall pay at least three days before each Interest Payment Date from legally available funds of the University to the Trustee sufficient funds, such that:

(a) on each Interest Payment Date, the Trustee shall pay out of the Debt Service Fund to the respective Paying Agents for any Bonds, (i) the amounts required for the payment of interest on Outstanding Bonds and Swap Payments due on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments.

(b) on each Principal Installment Payment Date, the Trustee shall pay out of the Debt Service Fund to the respective Paying Agents the amounts required for the payment of principal due on Outstanding Bonds on such date and such amounts shall be applied by the Paying Agents to such payments.

(c) whenever the amount in a Debt Service Reserve Account of the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement for such Series, one-twelfth of the original amount of such deficiency for deposit in such Account on the fifteenth day of each month commencing in the calendar month immediately succeeding the creation of such deficiency.

(Indenture, Section 5.3)

Application of Certain Funds

The Indenture provides for the application of moneys in the Funds set forth below as follows:

Debt Service Fund: The Trustee will pay out of the Debt Service Fund the amounts required for the interest payable and Swap Payments and principal payable when due.

Amounts accumulated in the Debt Service Fund with respect to any Sinking Fund Installments shall be set aside in said Fund for each such Sinking Fund Installment pro rata according to the amounts of the Sinking Fund Installments. The amount so set aside for each Sinking Fund Installment shall be applied as directed by the University (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Installment to (i) the purchase at the written direction of the University of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices not exceeding the applicable sinking fund Redemption Price, such purchases to be made in such manner (whether through direct negotiated purchases or otherwise) as the Trustee shall determine, or (ii) the redemption of such Bonds, if then redeemable by their terms. As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment due date) in such amount as shall be necessary to complete the retirement of the principal amount, specified for such Sinking Fund Installment, of the Bonds of such Series and maturity. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof together with interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agents, prior to such redemption date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

Notwithstanding the foregoing and anything to the contrary to the Indenture, with respect to the 2010 Series H Bonds, the amount set aside for each Sinking Fund Installment shall be applied (together with amounts accumulated therein with respect to interest on the 2010 Series H Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Installment to (i) the purchase, at the written direction of the University, of Series H Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices not exceeding the applicable sinking fund Redemption Price, such purchases to be made in such manner (whether through direct negotiated purchases or otherwise) as the Trustee shall determine, reducing all subsequent Sinking Fund

Installments on a pro rata basis, or (ii) the redemption of such 2010 Series H Bonds, if then redeemable by their terms. If there is any redemption or purchase of 2010 Series H Bonds for which Sinking Fund Installments have been established, any such purchases will reduce all subsequent Sinking Fund Installments on a pro rata basis.

Debt Service Reserve Fund: The Trustee shall establish in the Debt Service Reserve Fund a separate series account for the Bonds of any Series for which a Debt Service Reserve Account of the Debt Service Reserve Fund as shall be required in the applicable Supplemental Indenture securing such Series of Bonds.

If three (3) days prior to any Interest Payment Date, or as otherwise provided in the applicable Supplemental Indenture, there shall not have been deposited in the Debt Service Fund the amount required to pay interest and principal, or if the amount in the Debt Service Fund shall not be sufficient to pay the Interest Requirement and Principal Installment Requirement with respect to such Series of Bonds for which the Debt Service Reserve Account of the Debt Service Reserve Fund was established, as the same shall become due, the Trustee shall apply amounts from the applicable Debt Service Reserve Account of the Debt Service Reserve Fund to the extent necessary to fund such deficiency.

Subject to the Indenture, amounts in the Debt Service Reserve Account of the Debt Service Reserve Fund in excess of the applicable Debt Service Reserve Requirement with respect such Series of Bonds shall be transferred by the Trustee at the direction of an Authorized Officer of the University, either to the Construction Account and applied to the Costs of Construction of such Facility as shall be designated by such Authorized Officer of the University, to the Debt Service Fund or to the Redemption Fund.

Redemption Fund: The Trustee shall establish in the Redemption Fund a separate Series account for the Bonds of each series.

Any moneys which are required or permitted to be deposited into a Series account established as aforesaid, of the Redemption Fund pursuant to the Indenture shall be set aside in such sub-account. Upon deposit of such moneys in any such Series account or within thirty (30) days thereafter, the University may give written direction to the Trustee signed by an Authorized Officer, of the Redemption Date, of the maturity or maturities of the Bonds of such Series to be purchased or redeemed and of the principal amounts of each maturity or maturities to be purchased or redeemed, subject to any limitations with respect thereto contained in the Indenture and the Supplemental Indenture authorizing such Series.

Moneys so held in each such separate account by the Trustee shall be applied to the purchase or retirement of Bonds of the Series in respect of which such account was created as follows:

(i) The Trustee shall promptly apply such moneys to the purchase of Bonds of such maturity or maturities of the Series in respect of which such account was created, as may be directed by an Authorized Officer in the manner provided in this paragraph and in such order or priority and subject to any limitations and permissions with respect thereto contained in this paragraph or the applicable Supplemental Indenture at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds shall then be subject to redemption, such price, however, not to exceed the Redemption Price applicable by operation of the Redemption Fund which would be payable on the next ensuing Redemption Date on which Bonds of the Series so purchased are redeemable according to their terms. Unless otherwise directed by an Authorized Officer as aforesaid and subject to the other limitations set forth in the preceding sentence, the Trustee may purchase any Bonds of such Series. The Trustee shall pay the interest accrued on Bonds so purchased to the date of delivery thereof from the Interest Account and the balance of the purchase price from the applicable account established within the Redemption Fund, as hereinabove provided, to the Trustee, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding a date on which such Bonds are subject to redemption under the provisions of the Supplemental Indenture authorizing the issuance thereof.

(ii) In the event the Trustee is able to purchase a principal amount equivalent to the sum of the deposits in the account, as provided in this paragraph, of Bonds for such Account in accordance with and under the foregoing provisions of this paragraph at a purchase price less than the sum of such deposits in such account, excluding the applicable transfers from the Interest Account, upon the payment by the Trustee of the purchase price of such Bonds, the University shall direct the Trustee to transfer the balance of moneys remaining in such account to, and deposit the same in the Debt Service Fund.

In the event the Trustee is unable to purchase Bonds of a Series in accordance with and under the provisions described in the preceding paragraph, and there is $100,000 or more in the account established for such Series of Bonds, the Trustee shall call for redemption on the next ensuing Redemption Date such amount of Bonds of such maturity or maturities of the Series in respect of which such account was created as may be directed by an Authorized Officer in the manner provided in the immediately preceding paragraph and in such order or priority and subject to any limitations and permissions with respect thereto contained in this paragraph or the applicable Supplemental Indenture, at the Redemption Price applicable by operation of the Redemption Fund in the next ensuing Redemption Date, as will exhaust said Account as nearly as may be possible. Unless otherwise directed by an Authorized Officer as aforesaid and subject to the other limitations set forth in the preceding sentence, the Trustee shall redeem Bonds of such Series in inverse order of their maturities and by lot within a maturity. Such redemption shall be made pursuant to the redemption provisions of the Indenture. The Trustee shall pay the interest accrued on the Bonds so redeemed to the date of redemption from the Interest Account and the Redemption Price from the applicable account.

Except as otherwise required in the second paragraph under the sub-heading "Redemption Fund," and subject to the provisions of any Supplemental Indenture directing or permitting the application of any part of the moneys in the Redemption Fund to the purchase or redemption of Bonds of any particular Series, and to the redemption provisions of the Bonds, amounts in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds (accrued interest on such Bonds to be provided out of the Interest Account) *provided, however,* the University shall direct the selection of the Bonds to be purchased and the purchase price thereof, within the limits provided by law, and the amount and date of redemption of the Bonds to be redeemed, so as to apply amounts in said Sub-Account to such purposes as rapidly as in its judgment is reasonably practicable. Such purchases shall be made in such manner as the Trustee shall determine and such redemption shall be made in the manner provided by the redemption provisions of the Indenture.

The University may, from time to time, by written instruction direct the Trustee to make purchases under clauses (i) and (ii) in the third paragraph under the sub-heading "Redemption Fund" only after receipt of tenders after published notice. The University may specify the length of notice to be given and the dates on which tenders are to be accepted. All such tenders shall be sealed proposals and no tenders shall be considered or accepted at any price exceeding the price specified under clauses (i) and (ii) in the third paragraph under the sub-heading "Redemption Fund" for the purchase of Bonds. The Trustee shall accept bids with the lowest price and if the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and there shall be tenders at an equal price above the amount of moneys available for purchase then the Trustee shall select by lot, in such manner as the Trustee shall determine in its discretion, the Bonds tendered which shall be purchased. No purchase of Bonds, either on tenders or otherwise, shall be made by the Trustee within the period of forty-five (45) days next preceding any date on which such Bonds are subject to redemption.

Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established other than by application of Sinking Fund Installments, an amount equal to the applicable Redemption Prices thereof (as specified below) shall be credited toward a part or all of any one or more of such Sinking Fund Installments, as directed by the University, or, failing such direction by the 15th day of the second month preceding the date of the applicable Sinking Fund Installment, toward such Sinking Fund Installments in inverse order of their due dates. Such applicable Redemption Prices shall be the respective Redemption Prices which would be applicable upon the redemption of such Bonds from the respective Sinking Fund Installments on the due dates thereof. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of the calculation of Principal Installments due on a future date.

Amounts in the Redemption Fund may, and at the direction of the University shall, be invested in Investment Obligations maturing not later than five (5) days prior to the date when such moneys must be applied to the purchase or redemption of Bonds in accordance with the redemption provisions of the Indenture.

Earnings Fund: All investment income or earnings on amounts held in the Bond Proceeds Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Redemption Fund and the Earnings Fund or any other Fund or Account (other than the Rebate Fund) shall be deposited upon receipt by the Trustee and the University into the Earnings Fund; provided, however, that to the extent amounts held in any Fund shall be invested in Investment Securities having a yield not in excess of the yield on the applicable Series of Bonds, such earnings on the Investment Securities need not be so deposited for so long as such Investment Securities shall be in effect. The Trustee shall keep separate records which indicate all amounts deposited in the Earnings Fund to indicate the Fund source of the income or earnings. Within fifteen (15) days after the end of each Computation Period (as defined in the Arbitrage Certificate), the Trustee shall withdraw from the Earnings Fund that amount as is set forth as the Rebate Amount in a written certificate delivered by the University to the Trustee pursuant to the Arbitrage Certificate and the Indenture, and deposit, to the extent available, such amount in the Rebate Fund. Any amounts remaining in the Earnings Fund following such transfer will be deposited, at the written direction of an Authorized Officer of the University, either in the Bond Proceeds Fund, in the Debt Service Fund or in the Redemption Fund.

Rebate Fund: The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bondholder or any other person. The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer of the University, shall deposit in the Rebate Fund on the first day of each Bond Year after the first Bond Year, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the prior Bond Year. In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Officer of the University, shall withdraw such excess amount and deposit it, at the written direction of an Authorized Officer of the University, either in the Bond Proceeds Fund or in the Redemption Fund. The Trustee, upon the receipt of written instructions from an Authorized Officer of the University, shall pay the Rebate Amount to the United States out of amounts in the Rebate Fund.

(Indenture, Sections 5.4, 5.5, 5.6, 5.7 and 5.8)

Pledge Effected by the Indenture

All the moneys, securities and funds held or set aside by the Trustee under the Indenture (other than amounts held in the Rebate Fund and in any funds or accounts established under the applicable Supplemental Indenture and intended to be excluded from the pledge of the Indenture) are pledged by the Indenture to secure payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds.

(Indenture, Section 5.9)

Tax Covenant

The University has covenanted with the Holders of the Bonds to observe and perform all of the terms, covenants and conditions set forth in the Arbitrage Certificate and further covenants (i) that it shall not use or permit the use of any proceeds of the Bonds or any other funds of the University, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions which would result in any of the Bonds being treated as an obligation not described in Section 103 of the Code by reason of classification of such Bond as a "private activity bond" within the meaning of Section 141 of the Code; (ii) that no part of the proceeds of the Bonds or any other funds of the University shall at any time be used directly or indirectly to acquire securities or obligations the acquisition of which would cause any Bond to be an arbitrage bond as defined in Section 148 of the Code and any applicable regulations issued thereunder; (iii) that the University shall at all times do and perform all acts and things necessary or desirable and within its control in order to assure that interest paid on the Bonds shall, for the purposes of Federal income taxation, be not included in the gross income of the recipients thereof and exempt from such taxation; (iv) that the University will never permit the use of Bond proceeds, nor take nor omit to take any action, so as to cause the interest paid on the Bonds to be includable in the gross income of the recipients thereof for the purposes of Federal income taxation; and (v) that the University will file with the Internal Revenue Service of the United States Department of the Treasury or any other authorized governmental agency any and all statements or other instruments required under the Code and the regulations thereunder.

(Indenture, Section 5.11)

Investment of Certain Funds

The Indenture provides that moneys held in the Rebate Fund, Debt Service Fund, Debt Service Reserve Fund, Bond Proceeds Fund, Earnings Fund and Redemption Fund shall be invested and reinvested by the Trustee upon receipt of written instructions from the University, in Investment Securities, which obligations shall mature not later than necessary to provide moneys when needed for payments to be made from such Funds.

Unless otherwise provided in the Indenture, any income or interest earned and gains realized in excess of any losses suffered as a result of investment of moneys on deposit to the credit of any Fund or Account pursuant to the Indenture shall be credited as provided in the Indenture. Any investment authorized by the Indenture is subject to the condition that no amounts shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(Indenture, Section 6.3)

Valuation and Sale of Investments

In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at cost or the principal amount thereof, whichever is lower, exclusive of accrued interest.

(Indenture, Section 6.4)

Payment of Bonds

The University has covenanted with the Holders of the Bonds that it will pay or cause to be paid promptly the principal and Redemption Price of and the interest on the Bonds at the places, on the dates and in the manner provided in the Indenture and in the Bonds and shall duly and punctually satisfy all Sinking Fund Installments which may be established for any Series. The Holders of all Bonds shall have a valid and enforceable lien on all moneys, securities or funds pledged under the Indenture (other than for amounts held in the Rebate Fund and in any funds or accounts established under the applicable Supplemental Indenture and intended to be excluded from the pledge of the Indenture) until all of the Bonds and the interest thereon shall have been paid in the manner provided in the Indenture.

(Indenture, Section 7.1)

Construction of Facility

The University covenants that it will promptly proceed with the construction of any Additional Project to be financed in whole or in part by the issuance of Bonds in conformity with law and all requirements of the governmental authorities having jurisdiction thereover and that it will complete such construction with all expedition possible.

(Indenture, Section 7.3)

Creation of Liens; Sale of Property

The University covenants (i) not to issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the moneys, securities or funds held or set aside by the University or by the Trustee under the Indenture, and (ii) not to create or cause to be created any lien or charge on such moneys, securities or funds; provided, however, that nothing contained in the Indenture shall prevent the University from issuing evidences of indebtedness payable out of or secured by a pledge of its general obligation or general revenues or any other sources available to the University.

(Indenture, Section 7.4)

Further Assurances

The University covenants that it will comply with all valid acts, rules and regulations, orders and directions of any legislative, executive, administrative or judicial body, applicable to the University.

(Indenture, Section 7.5)

Payment of Obligations

The University shall at all times charge and collect tuition, fees, rents, charges and other revenues which, together with other legally available funds, shall be sufficient to make all payments as the same become due of principal, interest and Sinking Fund Installments with respect to any and all Indebtedness of the University and to meet all other obligations of the University, provided that this paragraph shall not require the payment or performance of any debt, claim or obligation so long as the validity of the same shall be contested in good faith by the University.

(Indenture, Section 7.7)

Sale and Lease of Facilities

The University may, from time to time, sell, exchange or otherwise dispose of any real property or personal property constituting part of any Facility, if it shall determine that such property is not needed or serves no useful purpose in connection with the needs of the University. The proceeds of such disposition shall be applied by the University to any of its legally authorized purposes.

(Indenture, Section 7.8)

Documents Available for Inspection

The University covenants to have available for inspection of Bondholders at reasonable times at the offices of the Trustee and the University, the reports, certificates, statements and other documents required to be filed with the Trustee or the University pursuant to the Indenture.

(Indenture Section 7.10)

Events of Default

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

(a) Default in the payment of the principal or Redemption Price of any Bond when the same shall become due and payable whether at maturity or by call for redemption, or otherwise;

(b) Default in the payment of any installment of interest on any Bond when the same shall become due and payable, and continuance of such default for a period of thirty (30) days;

(c) The University shall for any reason be rendered incapable of fulfilling its obligations under the Indenture;

(d) The University shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code, (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing;

(e) The University shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the University by the Trustee or to the University and to the Trustee by the Holders of not less than 10% in aggregate principal amount of the Bonds Outstanding; and

(f) An Event of Default, as defined in a Supplemental Indenture.

(Indenture, Section 8.1)

Acceleration of Due Date

Upon the happening and continuance of any Event of Default, unless the principal of all of the Bonds shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Bonds Outstanding, may declare the principal of and interest accrued thereon of all the Bonds to be due and payable immediately. The right of the Trustee or of the Holders of not less than 25% in aggregate principal amount of the Bonds Outstanding to make such declaration is subject to the condition that if, at any time after such declaration, all defaults under the Bonds or the Indenture shall have been cured, then the Holders of a majority in aggregate principal amount of the Bonds Outstanding may rescind such declaration and annul such default, or, if the Trustee shall have acted without a direction from the Holders of a majority in aggregate principal amount of the Bonds Outstanding, and if the Trustee shall not have received a written direction to the contrary from such Holders, then any such default shall be deemed annulled.

(Indenture, Section 8.2)

Enforcement of Remedies

The Trustee, in its own discretion or upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding, shall, upon the happening and continuance of any Event of Default, proceed to protect and enforce its rights and the rights of the Holders of the Bonds, by suits in equity or at law, whether for the specific performance of any covenant or agreement in the Indenture or in aid of the execution of any power granted therein or in the law or for the enforcement of any legal or equitable rights or remedies the Trustee shall deem most effectual to protect and enforce such rights or to perform its duties.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but unless requested in writing by the Holders of 25% in aggregate principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture or of any resolution authorizing Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

All remedies conferred upon or reserved to the Holders of Bonds under the Indenture may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by a Supplemental Indenture and may be cumulative as provided in the Indenture. Nothing in the Indenture shall preclude the University from providing in an applicable Supplemental Indenture or in any Bond Facility, any Swap or any related Swap Facility authorized thereby, that the exercise of any remedy under the Indenture or the waiver of any event of default under the Indenture by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Bond Facility, any Swap Provider or the provider of a related Swap Facility. Such Supplemental Indenture or related Bond Facility or related Swap Facility may provide that any and all notices required to be given (by the provisions of the Indenture) regarding Events of Default and remedies of Bondholders by the University or the Trustee to the Holder of any Bond shall also be given to the provider of any related Bond Facility, any Swap Provider or the provider of a related Swap Facility.

(Indenture, Section 8.3)

Application of Revenues and Other Moneys after Default

If at any time the moneys in the Debt Service Fund, the Debt Service Reserve Fund and the Redemption Fund shall be insufficient for the payment of interest and principal or Redemption Price, then due on the Bonds, the Trustee shall apply such moneys and any other moneys held, received or collected by the Fiduciaries (other than moneys held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption), for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Indenture, and then as follows:

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

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or preference;

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

Third: To the payment to other persons entitled to payment under the Indenture or the applicable Supplemental Indenture.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions under this heading, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the University, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. Unless otherwise required by the book-entry system for the Bonds, the Trustee shall not be required to make payment to the Holder of any unpaid interest or any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(Indenture, Section 8.4)

Majority Bondholders Control Proceedings

The Holders of a majority in aggregate principal amount of the Bonds Outstanding shall have the right to direct the time, method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture.

(Indenture, Section 8.6)

Individual Bondholder Action Restricted

No Bondholder shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the execution of any trust under the Indenture, or the protection or enforcement of any right under the Indenture or any right under the laws of the State of New Jersey, unless such Holder shall have given to the Trustee written notice of the Event of Default or breach of trust or duty on account of which such action or proceeding is to be taken and unless the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding shall have requested the Trustee to institute the same in accordance with the Indenture. Nothing in the Indenture or in the Bonds shall affect or impair the obligation of the University, which is absolute and unconditional, to pay at the respective dates of maturity or redemption the principal or Redemption Price of and interest on the Bonds or affect or impair the right of action, which is absolute and unconditional, of any Holder to enforce such payment of his Bond.

(Indenture, Section 8.7)

Supplemental Indentures Without Bondholders' Consent

The University and the Trustee may, from time to time and at any time, make and enter into indentures supplemental to the Indenture without consent of the Bondholders, the provider of either a Bond Facility, or a Swap Facility or Swap Provider as follows: (i) to provide for the issuance of Bonds or Notes or Swaps pursuant to the provisions of the Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed; (ii) to cure (y) any formal defect or omission in the Indenture, or (z) any ambiguity therein if such action is not adverse to the interests of the Bondholders; (iii) to grant to or confer upon the Trustee for the benefit of the holders of the Bonds or Notes or Swaps, any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect; (iv) to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds, Notes or Swaps or the issuance of other evidences of indebtedness; (v) to add to the covenants and agreements of the University in the Indenture, other covenants and agreements to be observed by the University which are not contrary to or inconsistent with the Indenture as theretofore in effect; (vi) to add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the University which are not contrary to or inconsistent with the Indenture as theretofore in effect; (vii) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, any other moneys, securities or funds; (viii) to modify any of the provisions of the Indenture in any respect whatever, provided that (y) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution of such Supplemental Indenture shall cease to be Outstanding and (z) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution of such

Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; (ix) to modify, amend, insert or delete such provisions of the Indenture as, in the opinion of Nationally Recognized Bond Counsel, shall be necessary or desirable to ensure the continued federal tax exemption of the interest on any Series of Bonds Outstanding under the Indenture; and (x) to make any other change which, in the judgment of the Trustee, does not materially adversely affect the interests of Bondholders.

(Indenture, Section 11.2)

Supplemental Indentures With Bondholders' Consent

Subject to the terms and provisions contained under this heading, and not otherwise, (i) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected and Outstanding shall have the right, from time to time, to consent to and approve the execution by the University and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the University for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing contained in the Indenture shall permit, or be construed as permitting, (x) a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bond, or a reduction in the principal amount or Redemption Price of any Outstanding Bond or the rate of interest thereon, without the consent of the Holder of such Bond, or (y) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (z) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture.

(Indenture, Section 11.3)

Consent of Bond Facility Provider

For purposes of the provisions regarding Supplemental Indentures, subject to the terms of such Bond Facility and only so long as the provider of a Bond Facility has not defaulted on its obligations under the Bond Facility, the provider of a Bond Facility shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Supplemental Indenture.

(Indenture, Section 11.7)

Defeasance

If the University shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds, the principal or Redemption Price, if applicable, and interest due or to become due thereon, including all Reimbursement Obligations then due and payable, at the times and in the manner stipulated therein and in the Indenture and shall terminate any existing Bond Facility to the extent required in accordance with its terms, then the pledge of any revenues, moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the University to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the University of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed above. Any Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if: (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the University shall have given to the Trustee in form satisfactory to it irrevocable written instructions to mail notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the University shall have given the Trustee in form satisfactory to it irrevocable written instructions to mail by first class mail, as soon as practicable, notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds and interest thereon are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Investment Securities or moneys deposited with the Trustee nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall to the extent determined in writing by the University, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, subject to the provisions outlined under the sub-heading "Rebate Fund" above, be paid over to the University, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this paragraph, Investment Securities shall mean and include only those securities listed below and which shall not be subject to redemption prior to their maturity:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (A) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (B) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above, the corpus or the corpus and the earnings on which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (A) of this clause (ii), as appropriate, and (C) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (A) of this clause (ii), as appropriate;

(iii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iv) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase under the Indenture such obligations are rated in either of the two highest rating categories by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group; and

(vi) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which shall be rated in the highest category by Moody's Investors Service, Inc. and by Standard & Poor's Ratings Group.

(Indenture, Section 12.1)

Continuing Disclosure Undertaking

Purpose:

The provisions of the Indenture regarding the continuing disclosure undertaking shall constitute the written undertaking for the benefit of the Holders of the Bonds required by Section (b)(5)(i) of the Rule, and shall apply to all Bonds of the University under the Indenture.

Submission of Annual Financial Information Statements:

The University shall, while any Bonds are Outstanding, provide to the Trustee, when completed, Annual Financial Information with respect to each Fiscal Year of the University beginning with the Fiscal Year ending June 30, 2008, which Annual Financial Information shall be completed within 180 days of the end of such Fiscal Year (the "Submission Date"). Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time. The University shall include with each such submission of Annual Financial Information a written representation addressed to the Trustee to the effect that the Annual Financial Information so submitted is the Annual Financial Information required by the provisions of the Indenture regarding Annual Information Statements, and that such Annual Financial Information complies with the applicable requirements of the provisions of the Indenture regarding the continuing disclosure undertaking. The Trustee shall provide to each NRMSIR and the SID, if any, such Annual Financial Information on or before four (4) Business Days following the Submission Date (the "Report Date") while any Bonds are Outstanding or, if not received by the Trustee by the Submission Date, then within three (3) Business Days of its receipt by the Trustee.

It shall be sufficient if the University provides to the Trustee and the Trustee provides to each NRMSIR and the SID, if any, the Annual Financial Information by specific reference to documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is an Official Statement, available from the MSRB.

Submission of Audited Financial Statements:

The University shall submit to the Trustee Audited Financial Statements for each Fiscal Year beginning for Fiscal Year 2008, when and if available (but not later than the Submission Date) while any Bonds are Outstanding, whether as part of the Annual Financial Information or separately, which Audited Financial Statements the Trustee shall then provide to each NRMSIR and the SID, if any, by the Report Date. If Audited Financial Statements for any Fiscal Year are not so provided to the Trustee by the Submission Date, the University shall provide to the Trustee (i) by the Submission Date, Unaudited Financial Statements for such Fiscal Year as part of the Annual Financial Information required to be delivered pursuant to the provisions of the Indenture described above, and (ii) when available, Audited Financial Statements for such Fiscal Year, which Audited Financial Statements the Trustee shall provide to each NRMSIR and the SID, if any, within three (3) Business Days of its receipt thereof.

Material Event Notices:

If a Material Event occurs while any Bonds are Outstanding, the University shall provide a Material Event Notice to the Trustee in a timely manner and the Trustee shall promptly provide to the SID, if any, and either to the MSRB or each NRMSIR, such Material Event Notice. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the applicable Bonds.

The Trustee shall promptly advise the University whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee identifies an occurrence, if material, which would require the University to provide a Material Event Notice under the Indenture; provided, however, that the failure of the Trustee so to advise the University shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Indenture.

Notification by Trustee of Failure by the University to File Annual Financial Information:

The Trustee shall, while any Bonds are Outstanding, provide, in a timely manner, notice of any failure of the University to provide the Annual Financial Information by the date specified in the first paragraph under the sub-heading "Submission of Annual Financial Information Statements" above to the SID, if any, and either to the MSRB or each NRMSIR.

The Trustee shall, while any Bonds are Outstanding and without any direction or instruction from the University, provide on the Report Date to the SID, if any, and either to the MSRB or each NRMSIR, notice of any failure to provide to each NRMSIR and such SID Annual Financial Information on or before the Report Date (whether caused by failure of the University to provide such information to the Trustee by the Submission Date or for any other reason). For the purposes of determining whether information received from the University is Annual Financial Information, the Trustee shall be entitled conclusively to rely on the University's written representation made pursuant to the first paragraph under the sub-heading "Submission of Annual Financial Information Statements" above.

Additional Information:

Nothing in the provisions of the Indenture regarding the continuing disclosure undertaking shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in the provisions of the Indenture regarding the continuing disclosure undertaking or any other means of communication, or including any such other information in any Annual Financial Information or Material Event Notice, in addition to that required by the Indenture. If the University should so disseminate or include any such additional information, the University shall have no obligation under the provisions of the Indenture regarding the continuing disclosure undertaking to update, provide or include such additional information in any future materials disseminated pursuant to the provisions of the Indenture regarding the continuing disclosure undertaking or otherwise.

If the University provides to the Trustee additional information as described in the immediately preceding paragraph, and such additional information is not included in any Annual Financial Information or Material Event Notice, the University may direct the Trustee to provide such additional information to information repositories, upon which direction the Trustee shall provide such additional information in a timely manner to the SID, if any, and either to the MSRB or each NRMSIR.

Reference to Other Documents:

It shall be sufficient for purposes of the provisions of the Indenture regarding submission of Annual Financial Information if the University provides Annual Financial Information by specific reference to documents previously (i) provided to each NRMSIR existing at the time of such reference and the SID, if any, or (ii) filed with the SEC. If such a document is an Official Statement, it also must be available from the MSRB.

Transmission of Information and Notices:

Unless otherwise required by law and, in the University's sole determination, subject to technical and economic feasibility, the University and the Trustee shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the information and notices required to be delivered pursuant to the provisions of the Indenture regarding the continuing disclosure undertaking.

Change in Fiscal Year, Submission Date and Report Date:

The University may adjust the Submission Date and the Report Date if the University changes its Fiscal Year by providing written notice of such change in Fiscal Year and the new Submission Date and Report Date to the Trustee, which written notice the Trustee shall then promptly deliver to each NRMSIR and the SID, if any; provided, however, that the new Submission Date shall be no more than 180 days after the end of such new Fiscal Year and the new Report Date shall be no more than four (4) Business Days following the new Submission Date, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

Termination:

The University's and the Trustee's obligations under the provisions of the Indenture regarding the continuing disclosure undertaking shall terminate immediately once the Bonds are no longer Outstanding.

The provisions of the Indenture regarding the continuing disclosure undertaking, or any provision thereof, shall be null and void in the event that the University delivers to the Trustee a Counsel's Opinion, addressed to the University and the Trustee, to the effect that those portions of the Rule which require the provisions of the Indenture regarding the continuing disclosure undertaking, or any of such provisions, 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. The Trustee shall, upon receipt of such opinion, promptly provide copies thereof to each NRMSIR and the SID, if any.

Amendment:

The provisions of the Indenture regarding the continuing disclosure undertaking 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 (A)(ii) below), if all of the following conditions are satisfied: (i) 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; (ii) the provisions of the Indenture regarding the continuing disclosure undertaking, as so amended would have complied with the requirements of the Rule as of the date of the Indenture, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (A) either (i) the University shall have delivered to the Trustee a Counsel's Opinion, addressed to the University and the Trustee, which opinion states 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 the provisions of the Indenture regarding the continuing disclosure undertaking pursuant to the same procedures as are required for amendments to the Indenture with consent of Holders of Bonds as in effect on the date of the Indenture. In the event the University delivers to the Trustee a Counsel's Opinion pursuant to clause (A)(i) above, the Trustee shall promptly deliver copies of such opinion and amendment to each NRMSIR and the SID, if any.

In addition to the immediately preceding paragraph, the provisions of the Indenture regarding the continuing disclosure undertaking may be amended and any of the provisions of the Indenture regarding the continuing disclosure undertaking may be waived, by written agreement of the parties, without the consent of the Holders of the Bonds, if all of the following conditions are satisfied: (i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of the Indenture which is applicable to the provisions of the Indenture regarding the continuing disclosure undertaking and (ii) the University shall have delivered to the Trustee a Counsel's Opinion, addressed to the University and the Trustee, to the effect that performance by the University and Trustee under the provisions of the Indenture regarding the continuing disclosure undertaking as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule. Upon receipt by the Trustee of such Opinion, the Trustee shall promptly deliver copies of such Opinion and amendment to each NRMSIR and the SID, if any.

In the event of any amendment respecting the type of operating data or financial information contained in the University's Annual Financial Information, the University shall, in accordance with the Rule or any interpretation thereof by the SEC, provide in the first Annual Financial Information provided thereafter 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.

In the event of any amendment specifying the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the 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. In the event of any such change in accounting principles, the University shall deliver notice of such change in a timely manner to the Trustee, upon receipt of which the Trustee shall promptly deliver such notice to the SID, if any, and either to the MSRB or each NRMSIR.

Continuing Disclosure Undertaking Amendments:

Commencing July 1, 2009, in accordance with certain amendments to SEC Rule 15c2-12, the University covenants to file or cause to be filed the Annual Financial Information and Event Notices with the MSRB and its Electronic Municipal Market Access system for municipal securities disclosures instead of with each NRMSIR or SID, if any.

Commencing December 1, 2010, in accordance with certain amendments to SEC Rule 15c2-12, the University covenants to file or cause to be filed, the Event Notices not in excess of ten (10) business days after the occurrence of the event which amends the requirement to file material event notices. Section 13.4 of the Master Indenture is amended to read as follows:

Event Notices:

If an Event occurs while any Bonds are Outstanding, the University shall provide an Event Notice to the Trustee in a timely manner not in excess of ten (10) business days after the occurrence of the event, and the Trustee shall promptly provide to the SID, if any, and either to the MSRB or each NRMSIR, such Event Notice. Each Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the applicable Bonds.

The Trustee shall promptly advise the University whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee identifies an occurrence which would require the University to provide an Event Notice under the Indenture; provided, however, that the failure of the Trustee so to advise the University shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Indenture.

Notification by Trustee of Failure by the University to File Annual Financial Information:

The Trustee shall, while any Bonds are Outstanding, provide, in a timely manner, notice of any failure of the University to provide the Annual Financial Information by the date specified in the first paragraph under the sub-heading "Submission of Annual Financial Information Statements" above to the SID, if any, and either to the MSRB or each NRMSIR.

The Trustee shall, while any Bonds are Outstanding and without any direction or instruction from the University, provide on the Report Date to the SID, if any, and either to the MSRB or each NRMSIR, notice of any failure to provide to each NRMSIR and such SID Annual Financial Information on or before the Report Date (whether caused by failure of the University to provide such information to the Trustee by the Submission Date or for any other reason). For the purposes of determining whether information received from the University is Annual Financial Information, the Trustee shall be entitled conclusively to rely on the University's written representation made pursuant to the first paragraph under the sub-heading "Submission of Annual Financial Information Statements" above.

Additional Information:

Nothing in the provisions of the Indenture regarding the continuing disclosure undertaking shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in the provisions of the Indenture regarding the continuing disclosure undertaking or any other means of communication, or including any such other information in any Annual Financial Information or Event Notice, in addition to that required by the Indenture. If the University should so disseminate or include any such additional information, the University shall have no obligation under the provisions of the Indenture regarding the continuing disclosure undertaking to update, provide or include such additional information in any future materials disseminated pursuant to the provisions of the Indenture regarding the continuing disclosure undertaking or otherwise.

If the University provides to the Trustee additional information as described in the immediately preceding paragraph, and such additional information is not included in any Annual Financial Information or Event Notice, the University may direct the Trustee to provide such additional information to information repositories, upon which direction the Trustee shall provide such additional information in a timely manner to the SID, if any, and either to the MSRB or each NRMSIR.

Benefit; Third-Party Beneficiaries; Enforcement:

The provisions of the Indenture regarding the continuing disclosure undertaking shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of the provisions of the Indenture regarding the continuing disclosure undertaking.

Except as provided in this paragraph, the provisions of the Indenture regarding the continuing disclosure undertaking shall create no rights in any person or entity. The obligations of the University to comply with the provisions of Indenture regarding the continuing disclosure undertaking shall be enforceable (i) in the case of enforcement of obligations to provide Audited Financial Statements, Annual Financial Information, operating data and notices, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of 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 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 twenty-five percent (25%) 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 the Indenture regarding the continuing disclosure undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University's obligations under the provisions of the Indenture regarding the continuing disclosure undertaking. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to the immediately preceding paragraph, beneficial owners shall be deemed to be Holders of Bonds for purposes of this paragraph. Without limiting the generality of the foregoing and except as otherwise provided in the Indenture with respect to the Trustee, neither the commencement nor the successful completion of an action to compel performance under the provisions of the Indenture regarding the continuing disclosure undertaking shall entitle the Trustee or any other person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

Any failure by the University or the Trustee to perform in accordance with the provisions of the Indenture regarding the continuing disclosure undertaking shall not constitute a default or an Event of Default under the Indenture or any Supplemental Indenture, and the rights and remedies provided by the Indenture or any Supplemental Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

The provisions of the Indenture regarding the continuing disclosure undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the provisions of the Indenture regarding the continuing disclosure undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent the provisions of the Indenture regarding the continuing disclosure undertaking address matters of federal securities laws, including the Rule, the provisions of the Indenture regarding the continuing disclosure undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

Duties, Immunities and Liabilities of Trustee:

The Trustee shall have only such duties under the provisions of the Indenture regarding the continuing disclosure undertaking as are specifically set forth in the Indenture, and the University agrees to indemnify and save the Trustee, its 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 under this sub-heading, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct in the performance of its duties under this sub-heading. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Indenture. The obligations of the University under this sub-heading shall survive resignation or removal of the Trustee and payment of the Bonds.

(Indenture, Sections 13.1, 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 13.8, 13.9, 13.10, 13.11, 13.12 and 13.13)

Successorship of University:

All of the covenants, stipulations, obligations and agreements contained in the Indenture by or on behalf of the University shall bind or inure to the benefit of the successor or successors of the University from time to time, and any officer, board, commission, authority, agency, or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

(Indenture, Section 14.1)

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APPENDIX D

PROPOSED FORM OF OPINION OF HAWKINS DELAFIELD & WOOD LLP, BOND COUNSEL TO THE UNIVERSITY

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Hawkins Delafield & Wood LLP
One Gateway Center, Newark, New Jersey 17102

July __, 2013

Rutgers, The State University
New Brunswick, New Jersey

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $340,925,000 aggregate principal amount of General Obligation Refunding Bonds, 2013 Series J (Tax-Exempt) (the "2013 Series J Bonds"), $134,100,000 principal amount of General Obligation Refunding Bonds, 2013 Series K (Federally Taxable) (the "2013 Series K Bonds") and $352,065,000 principal amount of General Obligation Bonds, 2013 Series L (Tax-Exempt) (the "2013 Series L Bonds", and together with the 2013 Series J Bonds and the 2013 Series K Bonds, the "2013 Series Bonds"), of Rutgers, The State University (the "University"), a body corporate and politic, constituting a public educational corporation, organized and existing under and by virtue of the royal charter granted November 10, 1766, as amended and confirmed by the State of New Jersey.

The 2013 Series Bonds are issued under and pursuant to (i) Title 18A, Education, of the Revised Statutes of the State of New Jersey, (ii) the "New Jersey Medical and Health Sciences Education Restructuring Act", passed by the State of New Jersey Assembly and Senate on June 28, 2012, and signed into law by Governor Chris Christie on August 22, 2012 as P.L. 2012, c. 45 (the "Restructuring Act"), the terms of which, as applicable to the University, were consented to and approved by the Board of Governors of Rutgers, The State University (the "Board of Governors") and the Board of Trustees of Rutgers, The State University (the "Board of Trustees") by resolutions adopted on November 19, 2012 (the "Restructuring Act Acceptance Resolutions"), (iii) the resolution adopted by the Board of Governors on April 11, 2013 and the resolution adopted by the Board of Trustees of the University on April 25, 2013 (collectively, the "Authorizing Resolutions" and together with the Restructuring Act Acceptance Resolutions, the "Resolutions") and (iv) an Indenture of Trust, dated as of February 1, 2002 (the "Master Indenture"), by and between the University and U.S. Bank National Association (successor to First Union National Bank), as trustee (the "Trustee"), as supplemented and amended, including as supplemented and amended by a Ninth Supplemental Indenture of Trust, dated as of July 1, 2013 (the "Ninth Supplemental Indenture," together with the Master Indenture, the "Indenture"). The Ninth Supplemental Indenture authorizes the issuance of and terms of the 2013 Series Bonds. The Authorizing Resolutions authorized the University to enter into the Ninth Supplemental Indenture of Trust and certain other documents in connection with the issuance by the University of one or more Series of General Obligation Bonds in an aggregate principal amount of $827,090,000 for the financing and/or refinancing of the 2013 Projects, the refunding of all or a portion of the Prior Debt and the payment of costs of issuance, as set forth in the Ninth Supplemental Indenture.

The 2013 Series Bonds shall be dated, shall mature, shall bear interest and shall be payable as set forth in the Indenture and the Certificate of Determination of the University, dated July 1, 2013, authorized by the Authorizing Resolutions and the Indenture (the "Certificate of Determination").

The 2013 Series Bonds are subject to redemption prior to maturity, including from mandatory Sinking Fund Installments, in the manner and upon the terms and conditions set forth in the Indenture and the Certificate of Determination.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the 2013 Series J Bonds and 2013 Series L Bonds in order that interest on the 2013 Series J Bonds and 2013 Series L Bonds be and remain not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code.

The Arbitrage and Use of Proceeds Certificate of the University, being delivered concurrently with the 2013 Series J Bonds and 2013 Series L Bonds (the "Arbitrage and Use of Proceeds Certificate"), contains provisions and procedures regarding compliance with the requirements of the Code. Pursuant to the Indenture, the University agrees and covenants that it will comply with the provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate, and that it will do and perform all acts and things necessary or desirable in order to assure that interest paid on the 2013 Series J Bonds and 2013 Series L Bonds is not included in gross income pursuant to Section 103 of the Code.

We are of the opinion that:

1. The University has good right and lawful authority to fix and collect tuition, fees and charges as provided in the Indenture.

2. The University has the right and power to enter into the Ninth Supplemental Indenture, and the Ninth Supplemental Indenture has been duly authorized and executed by the University and is valid and binding upon the University and enforceable against the University in accordance with its terms.

3. The Resolutions have been duly adopted.

4. The Indenture creates the valid pledge which it purports to create of the moneys, securities and funds held or set aside by the Trustee under the Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Indenture, the Resolutions and the Certificate of Determination.

5. The issuance of the 2013 Series Bonds and the execution thereof have been duly authorized and the 2013 Series Bonds are valid, binding, direct and general obligations of the University, enforceable in accordance with their terms and entitled to the benefits, protection and security of the Indenture, and all conditions precedent to the delivery thereof have been fulfilled.

6. Under existing statutes and court decisions, (i) interest on the 2013 Series J Bonds and the 2013 Series L Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) such interest on the 2013 Series J Bonds and the 2013 Series L Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the 2013 Series J Bonds and 2013 Series L Bonds is exempt from the gross income of individuals under the New Jersey Gross Income Tax Act.

7. Under existing statutes and court decisions, (i) interest on the 2013 Series K Bonds is included in gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) is exempt, from the gross income of individuals under the New Jersey Gross Income Tax Act.

The opinions in paragraphs 6 and 7 above are qualified only to the extent that the enforceability of the 2013 Series Bonds, the Resolutions and the Indenture may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and is subject to general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

In rendering the opinions in paragraphs 6 and 7 hereof, we have relied upon and assumed (1) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Certificate of Determination relating to the 2013 Series Bonds, the Arbitrage and Use of Proceeds Certificate and the Ninth Supplemental Indenture, each delivered on the date hereof, with respect to matters affecting the non-inclusion of interest on the 2013 Series J Bonds and 2013 Series L Bonds, and (2) compliance by the University with the procedures and covenants set forth in the Indenture and the Arbitrage and Use of Proceeds Certificate as to such tax matters. Under the Code, failure to comply with such procedures and covenants may cause the interest on the 2013 Series J Bonds and 2013 Series L Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the 2013 Series J Bonds and 2013 Series L Bonds, irrespective of the date on which such noncompliance occurs or is ascertained. Compliance with certain of such requirements may necessitate that persons not within the control of the University take or refrain from taking certain actions.

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any Federal, State or local tax consequences arising with respect to the 2013 Series Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the 2013 Series J Bonds and 2013 Series L Bonds, or under State and local tax law.

In rendering this opinion, with respect to the due authorization, execution and delivery of the Ninth Supplemental Indenture by the Trustee, we have relied upon the opinion of McManimon, Scotland & Baumann, LLC, counsel to the Trustee, dated the date hereof.

This opinion is issued as of the date hereof, and we assume no obligation to (i) update, revise or supplement this opinion to reflect any actions hereafter taken or not taken, or any facts or circumstances, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever, (ii) notify you or any other person if the conditions stated in Paragraph six or seven above have not been met, or (iii) review any legal matters incident to the authorization, issuance, validity and tax exemption of the 2013 Series Bonds, or the purposes to which the proceeds thereof are to be applied, after the date hereof.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the University other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the 2013 Series Bonds.

We have examined an executed 2013 Series J Bond numbered JR-1, an executed 2013 Series K Bond number KR-1 and an executed 2013 Series L Bond numbered LR-1, and, in our opinion, the form of each said Bond and its execution is regular and proper.

Very truly yours,

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RUTGERS, THE STATE UNIVERSITY (The State University of New Jersey)
General Obligation Refunding Bonds, 2013 Series J (Tax Exempt), 2013 Series K (Federally Taxable) and General Obligation Bonds 2013 Series L (Tax Exempt)

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