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

In the opinion of McCarter & English, LLP, Bond Counsel, assuming compliance by the University with certain tax covenants described herein, under existing law, interest on the 2016 Series M Bonds is excluded from the gross income of the owners of the 2016 Series M Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the 2016 Series M Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporate holders of the 2016 Series M Bonds, interest on the 2016 Series M Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the 2016 Series M Bonds in "adjusted current earnings" of certain corporations. Under existing law, interest on the 2016 Series M Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act. See TAX MATTERS herein.

$164,610,000
RUTGERS, THE STATE UNIVERSITY
(The State University of New Jersey)
General Obligation Refunding Bonds
2016 Series M

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

The General Obligation Refunding Bonds, 2016 Series M (the "2016 Series M Bonds") 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 2016 Series M 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 Tenth Supplemental Indenture of Trust, dated as of March 1, 2016, by and between the University and the Trustee (the "Tenth Supplemental Indenture," and together with the Master Indenture, the "Indenture").

The 2016 Series M Bonds will be issued pursuant to the provisions of the Rutgers, The State University Law constituting Chapter 65 of Title 18 A of the New Jersey Statutes (the "Act").

The 2016 Series M Bonds are being issued to (i) refund certain outstanding bonds of the University and (ii) 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 2016 Series M 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 2016 Series M 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 2016 Series M 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 2016 Series M Bonds. So long as Cede & Co., as nominee of DTC, is the owner of the 2016 Series M Bonds, references herein to the owners or registered owners will mean Cede & Co., and will not mean the Beneficial Owners of the 2016 Series M Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

The 2016 Series M Bonds will be delivered in fully registered form in denominations of $5,000 or any integral multiple thereof. Interest on the 2016 Series M Bonds is payable semi-annually on May 1 and November 1, commencing on May 1, 2016. The 2016 Series M 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 2016 Series M Bonds are subject to redemption prior to maturity, including mandatory sinking fund redemption, as described under "The 2016 Series M Bonds — Redemption Provisions."

All legal matters incident to the authorization and issuance of the 2016 Series M Bonds by the University are subject to the approval of legality by McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the University. Certain legal matters will be passed upon for the University by the Office of the Senior Vice President and General Counsel and for the Underwriters by their counsel, Connell Foley LLP, Jersey City, New Jersey. It is expected that the 2016 Series M Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about March 31, 2016.

Wells Fargo Securities **Morgan Stanley**

BofA Merrill Lynch **Citigroup** **Janney Montgomery Scott** **Raymond James**

March 1, 2016

MATURITY SCHEDULE

$164,610,000 GENERAL OBLIGATION REFUNDING BONDS, 2016 SERIES M

Maturity May 1	Principal Amount	Interest Rate	Price or Yield	CUSIP Number**
2020	$6,640,000	5.000%	1.010%	783186SP5
2021	6,980,000	5.000	1.180	783186SQ3
2022	7,340,000	5.000	1.400	783186SR1
2023	7,705,000	5.000	1.620	783186SS9
2024	5,840,000	5.000	1.830	783186ST7
2025	6,130,000	5.000	1.990	783186SU4
2026	6,435,000	5.000	2.130	783186SV2
2027	6,755,000	5.000	2.300*	783186SW0
2028	7,095,000	5.000	2.400*	783186SX8
2029	7,440,000	5.000	2.480*	783186SY6
2030	7,825,000	5.000	2.550*	783186SZ3
2031	8,210,000	5.000	2.640*	783186TA7
2032	8,620,000	5.000	2.730*	783186TB5
2033	9,050,000	5.000	2.780*	783186TC3
2034	9,510,000	5.000	2.820*	783186TD1
2035	9,990,000	3.000	3.130	783186TE9
2036	10,275,000	3.000	3.150	783186TF6
2037	7,975,000	3.125	3.250	783186TK5
2037	2,610,000	3.250	100	783186TG4
2038	10,925,000	3.125	3.300	783186TH2
2039	11,260,000	3.250	3.370	783186TJ8

* Priced to Optional Call Date of May 1, 2026 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 2016 Series M Bonds as a result of various subsequent actions.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

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REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by Rutgers, The State University (the "University") to give any information or to make any representations with respect to the 2016 Series M 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. 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 2016 Series M 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. 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 2016 SERIES M BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH 2016 SERIES M BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2016 SERIES M 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 2016 SERIES M 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

$164,610,000
RUTGERS, THE STATE UNIVERSITY
(The State University of New Jersey)
General Obligation Refunding Bonds,
2016 Series M

INTRODUCTION

The purpose of this Official Statement is to furnish information concerning Rutgers, The State University (the "University" or "Rutgers") and its $164,610,000 aggregate principal amount of General Obligation Refunding Bonds, 2016 Series M (the "2016 Series M Bonds"), to be dated the date of delivery. The 2016 Series M 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 Tenth Supplemental Indenture of Trust, dated as of March 1, 2016, by and between the University and the Trustee (the "Tenth Supplemental Indenture," and together with the Master Indenture, the "Indenture"). The 2016 Series M 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 Tenth Supplemental Indenture was authorized pursuant to resolution adopted by the Board of Governors of the University (the "Board of Governors"), on February 3, 2016 with the consent and advice of the Board of Trustees of the University (the "Board of Trustees") by resolution adopted on February 11, 2016 (collectively, the "Resolutions").

The 2016 Series M Bonds will be issued pursuant to the Act. A portion of the proceeds of the 2016 Series M Bonds will be used to refund certain outstanding bonds of the University. The Resolutions authorized the University to issue the 2016 Series M Bonds to (i) refund certain outstanding indebtedness of the University, as more particularly described in this Official Statement, and (ii) 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 2016 Series M Bonds. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Indenture.

The 2016 Series M Bonds will be general obligations of the University, payable from the revenues and other legally available funds of the University.

As of June 30, 2015, the University had $2.004 billion of outstanding indebtedness under various indentures, including the Indenture, which included $65.833 million principal amount of Commercial Paper. See "PLAN OF FINANCE" and "APPENDIX A - INFORMATION

CONCERNING RUTGERS, THE STATE UNIVERSITY — Outstanding Indebtedness of the University."

THE 2016 SERIES M BONDS

General

The 2016 Series M Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. The 2016 Series M 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 May 1, 2016, 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 2016 Series M Bonds are subject to redemption under certain circumstances as summarized under "THE 2016 SERIES M BONDS — Redemption Provisions."

Redemption Provisions

Redemption Procedures

When 2016 Series M Bonds (or portions thereof) are to be redeemed, the University must give or cause to be given notice of the redemption of any 2016 Series M 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 2016 Series M Bonds (or portions thereof) in the name of the University, which notice must specify: (i) the 2016 Series M Bonds to be redeemed in whole or in part; (ii) the redemption date; (iii) the numbers and other distinguishing marks of the 2016 Series M Bonds to be redeemed (except in the event that all of the Outstanding Bonds are to be redeemed); and (iv) that such 2016 Series M 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 2016 Series M 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 2016 Series M 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 2016 Series M Bonds.

With respect to any notice of optional redemption, unless, upon the giving of such notice, such 2016 Series M 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 2016 Series M 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 2016 Series M 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 2016 Series M Bonds of any series and maturity are to be so redeemed, the 2016 Series M Bonds (or portions thereof) to be so redeemed will be selected by the Trustee as set forth below under the section "THE 2016 SERIES M BONDS – Redemption Provisions - Redemption in Part." In addition to the provisions set forth above, the redemption of the 2016 Series M Bonds will be effected in accordance with Article III of the Master Indenture.

Redemption in Part

Whenever any 2016 Series M Bonds of a series are to be called for redemption in part, such 2016 Series M 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 2016 Series M 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 2016 Series M Bonds.

The 2016 Series M 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 2016 Series M 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 2016 Series M Bond or 2016 Series M Bonds of Authorized Denominations and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the 2016 Series M Bond surrendered. The 2016 Series M Bonds shall be redeemed only in Authorized Denominations.

Redemption of the 2016 Series M Bonds

Optional Redemption. The 2016 Series M Bonds maturing on May 1, 2027 through 2034, inclusive, are subject to optional redemption prior to maturity, on or after May 1, 2026, as a whole or in part at any time, at 100% of the principal amount of the 2016 Series M 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 2016 Series M Bonds).

The 2016 Series M Bonds maturing on May 1, 2035 through 2039, inclusive, are subject to optional redemption prior to maturity, on or after May 1, 2021, as a whole or in part at any time, at 100% of the principal amount of the 2016 Series M 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 2016 Series M Bonds).

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each respective bond year ending June 30, the amounts required in such year for payment of debt service on the University's outstanding General Obligation Refunding Bonds, 2002 Series A (the "2002 Series A Bonds"), General Obligation Bonds, 2009 Series F (the "2009 Series F Bonds"), General Obligation Bonds, 2009 Series G (the "2009 Series G Bonds"), General Obligation Bonds, 2010 Series H (the "2010 Series H Bonds"), General Obligation Bonds, 2010 Series I (the "2010 Series I Bonds"), General Obligation Refunding Bonds, 2013 Series J (the "2013 Series J Bonds"), General Obligation Refunding Bonds, 2013 Series K (the "2013 Series K Bonds) and General Obligation Bonds, 2013 Series L (the "2013 Series L Bonds), Housing Authority of New Brunswick Lease Revenue Refunding Bonds (the "2011 Series Bonds"), New Jersey Economic Development Authority General Obligation Lease Revenue Bonds (the "2013 Series Bonds"), New Jersey Economic Development Authority Revenue Note (the "2014 Series Note"), (collectively, the "Prior General Obligation Bonds"), the payment of principal, Sinking Fund Installments of and interest on the 2016 Series M Bonds, and the total debt service for the Prior General Obligation Bonds and the 2016 Series M Bonds.

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Fiscal Year Ending June 30[1]	Debt Service on Prior General Obligation Bonds[2]	2016 Series M Bonds		Total Debt Service
		Principal	Interest	
2016	$131,047,422		622,420	131,669,842
2017	124,008,025		7,228,100	131,236,125
2018	124,181,462		7,228,100	131,409,562
2019	128,768,911		7,228,100	135,997,011
2020	116,002,484	6,640,000	7,228,100	129,870,584
2021	111,514,096	6,980,000	6,896,100	125,390,196
2022	113,931,977	7,340,000	6,547,100	127,819,077
2023	109,703,171	7,705,000	6,180,100	123,588,271
2024	113,800,730	5,840,000	5,794,850	125,435,580
2025	113,415,185	6,130,000	5,502,850	125,048,035
2026	114,632,410	6,435,000	5,196,350	126,263,760
2027	113,978,897	6,755,000	4,874,600	125,608,497
2028	113,628,540	7,095,000	4,536,850	125,260,390
2029	113,388,028	7,440,000	4,182,100	125,010,128
2030	113,051,174	7,825,000	3,810,100	124,686,274
2031	112,673,420	8,210,000	3,418,850	124,302,270
2032	117,131,637	8,620,000	3,008,350	128,759,987
2033	113,399,909	9,050,000	2,577,350	125,027,259
2034	81,421,298	9,510,000	2,124,850	93,056,148
2035	81,016,729	9,990,000	1,649,350	92,656,079
2036	83,598,334	10,275,000	1,349,650	95,222,984
2037	79,958,383	10,585,000	1,041,400	91,584,783
2038	79,375,631	10,925,000	707,356	91,007,987
2039	78,803,463	11,260,000	365,950	90,429,413
2040	90,563,569			90,563,569
2041	89,548,883			89,548,883
2042	89,553,644			89,553,644
2043	89,557,151			89,557,151
2044	17,055,200			17,055,200
2045	15,419,000			15,419,000
2046	15,429,750			15,429,750
TOTAL	$2,989,558,513	$164,610,000	$99,298,926	$3,253,467,439

[1] Includes principal and interest to be paid on July 1 following each period.

[2] Excludes Bonds to be Refunded. See "PLAN OF FINANCE" herein. Excludes the portion of the debt service payable on the NJEFA Capital Improvement Fund, NJEFA Equipment Leasing Fund, NJEFA Dormitory Safety Trust Fund Bonds and certain mortgage and note obligations. See "APPENDIX A - INFORMATION CONCERNING RUTGERS, THE STATE UNIVERSITY — Outstanding Indebtedness of the University" for further information. The 2010 Series H Bonds included herein do not take into account any Build America Bond direct subsidy payments anticipated to be received.

SECURITY FOR THE BONDS

General

The Indenture provides that the 2016 Series M 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 2016 Series M 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 TENTH 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 2016 Series M 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 2016 Series M 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 2016 Series M Bonds are not in a book-entry-only system, payment of principal of, premium, if any, and interest on the 2016 Series M 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 2016 Series M Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2016 Series M Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2016 Series M 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 2016 Series M Bonds. The 2016 Series M 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 2016 Series M 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 2016 Series M Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Series M 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 2016 Series M 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 2016 Series M Bonds, except in the event that use of the book-entry system for the 2016 Series M Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Series M 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 2016 Series M 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 2016 Series M Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Series M 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 2016 Series M Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Series M Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2016 Series M Bonds may wish to ascertain that the nominee holding the 2016 Series M 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 2016 Series M 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 2016 Series M 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 2016 Series M Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption, principal and interest payments on the 2016 Series M 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 2016 Series M 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, 2016 Series M 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, 2016 Series M 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.

PLAN OF FINANCE

The 2016 Refunding Project

The 2016 Refunding Project consists of the advance refunding with proceeds of the 2016 Series M Bonds, together with certain proceeds of the University's Commercial Paper Program, of the University's General Obligation Bonds 2009 Series F maturing in each of the years 2020 through 2031, inclusive and 2039 (the "Bonds to be Refunded"). Pursuant to the plan of refunding, on May 1, 2019 ("Redemption Date"), the Bonds 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.

U.S. Bank National Association, acting as escrow trust agent (the "Escrow Agent"), and the University will enter into an Escrow Trust Agreement, dated as of March 1, 2016 (the "Escrow Trust Agreement"), pursuant to which there will be created special and irrevocable escrow trust account, the "2009 Series F Escrow Account," to be held by the Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on the Bonds to be Refunded with a portion of the proceeds of the 2016 Series M Bonds. Upon the issuance of the 2016 Series M Bonds, such moneys described above shall be deposited with the Escrow Agent and used to acquire certain Investment Securities (as defined in the Indenture), the principal of and interest on which, when due, together with any funds held in the 2009 Series F Escrow Account as cash, will provide moneys sufficient to pay, when due, the principal of and redemption premium, if any, of the Bonds to be Refunded, and the interest on the Bonds to be Refunded to the Redemption Date. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND TENTH SUPPLEMENTAL INDENTURE – Defeasance" herein.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2016 Series M Bonds are expected to be applied as set forth below (rounded to the nearest dollar):

Sources of Funds	
Principal Amount of 2016 Series M Bonds	$164,610,000
Plus Net Original Issue Premium	22,757,825
Commercial Paper Proceeds	2,965,000
Total Sources of Funds	**$190,332,825**
Uses of Funds	
Deposit to Escrow Fund to refund Bonds to be Refunded	$189,118,377
Costs of Issuance*	1,214,448
Total Uses of Funds	**$190,332,825**

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

TAX MATTERS

Exclusion of Interest on the 2016 Series M Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the 2016 Series M Bonds in order to assure that interest on the 2016 Series M Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the University to comply with such requirements may cause interest on the 2016 Series M Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the 2016 Series M Bonds. The University has covenanted to comply with the provisions of the Code applicable to the 2016 Series M Bonds and has covenanted not to take any action or permit any action that would cause the interest on the 2016 Series M Bonds to be included in gross income under Section 103 of the Code or cause interest on the 2016 Series M Bonds to be an item of tax preference under Section 57 of the Code.

Assuming the University complies with its covenants with respect to the Code, McCarter & English, LLP, Bond Counsel to the University, is of the opinion that, under existing law, interest on the 2016 Series M Bonds is excluded from the gross income of the owners of the 2016 Series M Bonds for federal income tax purposes pursuant to Section 103 of the Code and interest on the 2016 Series M Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the 2016 Series M Bonds, interest on the 2016 Series M Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the 2016 Series M Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the 2016 Series M Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax exempt obligations, such as the 2016 Series M Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the 2016 Series M Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the 2016 Series M Bonds from gross income pursuant to Section 103 of the Code and interest on the 2016 Series M Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the 2016 Series M Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2016 Series M Bonds.

The Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the 2016 Series M Bonds will be audited. If an audit is commenced, under current Service procedures the holders of the 2016 Series M Bonds may not be permitted to participate in the audit process, and the value and liquidity of the 2016 Series M Bonds may be adversely affected.

Original Issue Discount

Certain maturities of the 2016 Series M Bonds (the "Discount Bonds") were sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the 2016 Series M Bonds (the "Premium Bonds") were sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

State Taxation

Bond Counsel is of the opinion that, under existing law, interest on the 2016 Series M Bonds and net gains from the sale of the 2016 Series M Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Changes in Federal and State Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the 2016 Series M Bonds, gain from the sale or other disposition of the 2016 Series M Bonds, the market value of the 2016 Series M Bonds, or the marketability of the 2016 Series M Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the tax exemption of interest, market price or marketability of tax-exempt bonds (including the 2016 Series M Bonds). Prospective purchasers of the 2016 Series M Bonds should consult their own tax and financial advisers regarding such matters.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") have assigned the ratings of "AA-" (stable outlook), "Aa3" (negative outlook) and "A+" (stable outlook), respectively, to the 2016 Series M 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 any of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the 2016 Series M Bonds.

STATE NOT LIABLE ON THE 2016 SERIES M BONDS

Nothing in the 2016 Series M 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 2016 SERIES M BONDS FOR INVESTMENT

The 2016 Series M 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 2016 Series M Bonds are subject to the approval of McCarter & English, 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 2016 Series M Bonds and delivered with such Bonds. Certain legal matters will be passed upon for the University by the Office of the Senior Vice President and General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Connell Foley LLP, Jersey City, New Jersey.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Causey Demgen & Moore P.C., (the "Verification Agent"), at the time of issuance of the 2016 Series M Bonds, will verify from the information provided to it the mathematical accuracy as of the date of the closing on the 2016 Series M 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 escrow trust fund established in connection with the Bonds to be

Refunded, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Bonds 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 2016 Series M Bonds.

UNDERWRITING

The 2016 Series M Bonds are being purchased from the University by Wells Fargo Bank, National Association, 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 2016 Series M Bonds at an aggregate purchase price equal to $186,879,853.30 (representing the principal amount of $164,610,000, plus a net original issue premium of $22,757,824.95, less an underwriters' discount of $487,971.65). The initial public offering prices of the 2016 Series M Bonds set forth on the inside cover pages may be changed without notice by the Underwriters. The Underwriters may offer and sell the 2016 Series M Bonds to certain dealers (including dealers depositing 2016 Series M 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.

Wells Fargo Bank, National Association has provided the following four sentences for inclusion in this Official Statement:

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 ("WFBNA"). WFBNA, the senior underwriter of the 2016 Series M 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 2016 Series M Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016 Series M Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (WFSLLC), for the distribution of municipal securities offerings, including the 2016 Series M Bonds. In connection with utilizing the distribution capabilities WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The University has not been furnished with any documents relating to trade names, the Wells Fargo Distribution Agreement or WFSLLC Distribution Capabilities and makes no representation of any kind with respect thereto. The University is not a party to the Wells Fargo Distribution Agreement and has not entered into any agreement or arrangement with WFA or WFSLLC or any other WFBNA affiliates with respect to the offering and sale of the 2016 Series M Bonds.

Morgan Stanley & Co. LLC has provided the following three sentences for inclusion in this Official Statement:

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the 2016 Series M Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC (the "Morgan Stanley Distribution Arrangement"). As part of the Distribution Arrangement, Morgan Stanley may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this Distribution Arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2016 Series M Bonds.

The University has not been furnished with any documents relating to the Morgan Stanley Distribution Arrangement and makes no representation of any kind with respect thereto. The University is not a party to the Morgan Stanley Distribution Arrangement and has not entered into any agreement or arrangement with Morgan Stanley Smith Barney LLC with respect to the offering and sale of the 2016 Series M Bonds.

Citigroup Global Markets Inc., has provided the following three sentences for inclusion in this Official Statement:

Citigroup Global Markets Inc., one of the Underwriters of the 2016 Series M Bonds, has entered into retail distribution agreements (the "Citigroup Distribution Agreements") with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under the Citigroup Distribution Agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016 Series M Bonds.

The University has not been furnished with any documents relating to the Citigroup Distribution Agreements and makes no representation of any kind with respect thereto. The University is not a party to the Citigroup Distribution Agreements and has not entered into any agreement or arrangement with TMC or UBSFS with respect to the offering and sale of the 2016 Series M Bonds.

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 respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

FINANCIAL ADVISOR

Prager & Co., LLC ("Prager") has been retained to act as financial advisor for the University in connection with the issuance of the 2016 Series M 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 statement of net assets of Rutgers, The State University of New Jersey as of June 30, 2015, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended, included in "APPENDIX B – 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 – Independent Auditors' Report and Financial Statements of Rutgers, The State University" to this Official Statement.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the 2016 Series M Bonds, or questioning or affecting the validity of the 2016 Series M 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 2016 Series M 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, 2016 (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. However, the University's event notices relating to certain rating changes filed with EMMA on June 18, 2013 and September 4, 2012, were not filed in a timely manner (3 business days and 1 business day late, after the respective occurrence). Further, it has come to the University's attention that there was a failure to provide proper indexing in relation to the bonds issued by the Housing Authority of the City of New Brunswick Lease Revenue Refunding Bonds (Rutgers University Easton Avenue Project) Series 2011, issued on behalf of the University, with respect to the University's 2011 Operating Data and the event notice filed on June 18, 2013. The filing has been corrected and the University is now in compliance with all previous undertakings to provide continuing disclosure in compliance with the requirements of Rule 15c2-12.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or link contained herein are not incorporated into and are not part of this offering document.

CLOSING CERTIFICATE

Concurrently with delivery of the 2016 Series M Bonds, the University will furnish a certificate executed by its Vice President for Finance and Associate Treasurer to the effect that this Official Statement, as of the date of this Official Statement and as of the date of delivery of the 2016 Series M 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 Vice President for Finance and Associate Treasurer.

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

RUTGERS, THE STATE UNIVERSITY

By: /s/ Richard M. Aks
Richard M. Aks
Vice President for
Finance and Associate Treasurer

Dated: March 1, 2016

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APPENDIX A

INFORMATION CONCERNING RUTGERS, THE STATE UNIVERSITY

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RUTGERS, THE STATE UNIVERSITY

General Background

Rutgers, The State University ("Rutgers" or the "University"), one of the nation's nine colonial colleges, consists of 33 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 schools and units 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, 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 "Restructuring Act"). 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 meetings, subject to the satisfaction of certain conditions which have occurred. The University created a new unit, Rutgers Biomedical and Health Sciences ("RBHS"), to serve as the umbrella organization for the UMDNJ schools and clinical units, several pre-existing Rutgers units with health-related missions, and two research units that historically were jointly operated by Rutgers and UMDNJ.

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 enacted into law pursuant to the terms of the Restructuring Act.

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.

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, debt incurred by the University and also the investment of certain funds under its control.

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

Campuses and Academic Programs

The University has eight main campuses: the Busch Campus in Piscataway, the College Avenue Campus in New Brunswick, the Cook Campus in New Brunswick and North Brunswick, the Douglass Campus in New Brunswick, the Livingston Campus in Piscataway and Edison, the Camden Campus, the Newark Campus, and the Newark Health Sciences Campus. In total, the University has locations in all 21 New Jersey counties, as well as academic and research enterprises around the world.

University degrees are awarded by 33 schools and colleges. In 2015, the University awarded more than 16,400 degrees, including 10,600 baccalaureate degrees, 3,900 master's degrees, and 1,900 doctorates (including professional doctorates).

Rutgers University-New Brunswick

Twelve colleges and schools, excluding those of RBHS, offer degrees: the School of Arts and Sciences, the School of Environmental and Biological Sciences, the School of Engineering, 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.

Rutgers University-Newark

Six colleges and schools offer degrees: Newark Faculty of Arts and Sciences, University College–Newark, the Graduate School–Newark, Rutgers Business School: Undergraduate–Newark, the School of Public Affairs and Administration, and the School of Criminal Justice.

Rutgers University-Camden

Five colleges and schools offer degrees: Camden College of Arts and Sciences, University College–Camden, the School of Nursing-Camden, the Graduate School–Camden, and the School of Business–Camden.

Multi-Campus Programs

Rutgers Business School: Graduate Programs–Newark and New Brunswick and Rutgers Law School - Newark and Camden

Rutgers Biomedical and Health Sciences (RBHS)

As New Jersey's academic health center, RBHS takes an integrated approach to educating students, providing clinical care, and conducting research, all with the goal of improving human health. RBHS includes eight schools, a behavioral health network, and five centers and institutes that focus on cancer treatment and research, neuroscience, advanced biotechnology and medicine, environmental and occupational health, and health care policy and aging research. Clinical and academic facilities are located throughout the state at Rutgers University–New Brunswick, including Piscataway; and at locations in Newark, Scotch Plains, Somerset, Stratford, and other locations. Clinical partners include the Robert Wood Johnson University Hospital in New Brunswick, Newark's University Hospital, and other affiliates.

The following comprise the RBHS clinical and academic programs:

Schools

- Ernest Mario School of Pharmacy
- Graduate School of Biomedical Sciences
- New Jersey Medical School
- Robert Wood Johnson Medical School
- Rutgers School of Dental Medicine
- School of Health Related Professions
- School of Nursing
- School of Public Health

Centers and Institutes

- Brain Health Institute
- Center for Advanced Biotechnology and Medicine
- Environmental and Occupational Health Sciences Institute
- Institute for Health, Health Care Policy, and Aging Research
- Rutgers Cancer Institute of New Jersey

Behavioral Health Care Network

- University Behavioral Health Care

RBHS also has two faculty practices: The Robert Wood Johnson Medical Group, one of the largest multispecialty groups in New Jersey, with approximately 500 physicians with expertise in more than 200 subspecialty clinical programs, which provides a broad spectrum of advanced specialty care; and the New Jersey Medical School Faculty Practice, which provides clinical care in a variety of inpatient and outpatient settings and offers expertise in specialty areas including infectious diseases, oncology, cardiovascular science, otolaryngology, neurological and visual sciences, and trauma. University Physicians Associates, a non-profit organization and component unit of the University, provides administrative services to the New Jersey Medical School Faculty Practice. See "Recent Developments – *RBHS Initiatives*".

Strategic Planning

The University completed a comprehensive strategic plan in February 2014. The plan combines an assessment of Rutgers' institutional strengths with a vision of the opportunities for improvement to create a five-year roadmap for excellence.

The plan in overview is shown below:

Aspiration

To be broadly recognized as among the nation's leading public universities: preeminent in research, excellent in teaching, and committed to community.

Integrating Themes

- Cultures, Diversity, and Inequality – Local and Global
- Improving the Health and Wellness of Individuals and Populations

- Creating a Sustainable World through Innovation, Engineering, and Technology
- Educating Involved Citizens and Effective Leaders for a Dynamic World
- Creative Expression and the Human Experience

Strategic Priorities

- Envision Tomorrow's University
- Build Faculty Excellence
- Transform the Student Experience
- Enhance Public Prominence

Foundational Elements

- Strong Core of Sciences and Humanities
- Inclusive, Diverse, and Cohesive Culture
- Effective and Efficient Infrastructure and Staff
- Financial Resources Sufficient to Fund Our Aspirations
- Robust Shared Governance, Academic Freedom, and Effective Communication

The University's strategic plan includes comprehensive metrics to measure progress which are being monitored by the administration and reviewed by the Boards. In 2015 each of the University's operating units completed five-year strategic plans aligned with the University-wide plan.

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 54 members of the National Academies of Sciences and Engineering, the American Academy of Arts and Sciences, and the Institute of Medicine; and 52 members of the American Association for the Advancement of Science.

As of January 31, 2016, the University's faculty and staff who were employed full-time or part-time on a regular basis totaled 24,455, of whom 18,688 are represented, for purposes of collective negotiations, by labor organizations. The following are labor organizations with more than 500 employees represented:

- 3,060 faculty and 1,690 teaching assistants and graduate assistants represented by the Rutgers Council of American Association of University Professors ("AAUP") Chapters-American Federation of Teachers, AFL-CIO;

- 2,402 administrative employees represented by the Union of Rutgers Administrators, American Federation of Teachers;

- 1,904 healthcare professional/IT employees represented by the Health Professionals and Allied Employees Local 5094;

- 1,686 service and maintenance employees represented by the American Federation of State, County and Municipal Employees ("AFSCME") Local 888;

- 1,627 clerical, custodial and technical employees represented by the Teamsters Local 97;

- 1,429 Part-Time Lecturers, who are instructional personnel employed on a per course basis, represented by the Part-Time Lecturer Faculty Chapter of the Rutgers Council of AAUP-AFT Chapters;

- 1,289 faculty and librarians in the following units: New Jersey Medical School, Rutgers School of Dental Medicine, Graduate School of Biomedical Sciences, Robert Wood Johnson Medical School, School of Nursing, School of Health Related Professions, University Libraries, and School of Public Health, represented by the Rutgers Council of American Association of University Professors Biomedical and Health Sciences of New Jersey;

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

There are 5,767 employees who are not represented by unions consist of managerial, professional, supervisory and confidential employees.

In 2015, the University completed negotiations with unions representing over 98% of staff with overall salary and wage increases in the 2% range. Ratified contracts with such unions are in place through June 30, 2018.

Accreditation

In 2008, the Middle States Commission on Higher Education conducted its decennial accreditation review and reaffirmed the University's accreditation without conditions. The accreditation was subsequently reaffirmed following a review in November 2013. Certain programs at the University are also accredited by specialized accrediting organizations.

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.

Big Ten Conference

In 2012, the University became the 14th member of the Big Ten Conference, and the Scarlet Knights began competing in the Big Ten in all intercollegiate athletic programs. In addition, the University also became a member of the Committee on Institutional Cooperation, a consortium of world-class research universities dedicated to forging institutional collaborations while advancing their university's academic missions. Membership in this consortium creates invaluable opportunities for new and expanded partnerships in cutting-edge research and academic programs.

University Enrollment

For fall 2015, the University enrolled 67,556 students, representing the highest enrollment in history, exceeding the previous high of 66,013 students in fall 2014.

TABLE 1
University Enrollment
(Full-Time and Part-Time)

	2011-12	2012-13	2013-14*	2014-15	2015-16
New Brunswick					
Undergraduate	31,268	31,593	31,400	32,206	33,060
Graduate and Professional	8,682	8,841	8,553	8,514	8,639
Newark					
Undergraduate	7,465	7,666	7,217	7,408	7,713
Graduate and Professional	4,339	4,345	3,995	3,906	4,007
Camden					
Undergraduate	4,653	4,708	4,842	4,857	4,899
Graduate and Professional	1,775	1,635	1,422	1,464	1,509
RBHS					
Undergraduate			2,501	2,338	2,424
Graduate and Professional			5,582	5,320	5,305
Total	58,182	58,788	65,512	66,013	67,556

* Effective July 1, 2013, data include RBHS.

For fall 2015, the University enrolled 8,236 first-year undergraduate students.

TABLE 2
Fall First Year Enrollment
Undergraduate Schools

	2011-12	2012-13	2013-14*	2014-15	2015-16
Applicants	31,751	31,842	33,545	33,717	37,641
% Admitted (selectivity)	66.3	67.4	66.7	68.4	67.1
Admitted Students	21,050	21,459	22,368	23,050	25,242
% Enrolled (yield)	35.5	35.9	35.3	34.1	32.6
Enrolled Students	7,476	7,707	7,888	7,856	8,236

* Effective July 1, 2013, data include RBHS.

For the 2015-2016 academic year, the University enrolled 4,602 transfer students.

TABLE 3
Transfer Students
Undergraduate Schools

	2011-12	2012-13	2013-14*	2014-15	2015-16
Enrolled Students	3,498	3,852	4,126	4,544	4,602

* Effective July 1, 2013, data include RBHS.

The University continues to admit high quality students, as seen in the SAT scores of first-year students set forth in the table below. Fall 2015 marked the opening of the Honors College of Rutgers University – New Brunswick, a residential Honors College where the highest achieving students from New Jersey and around the world live and learn together. The inaugural class of 530 students had an average SAT score of 2160.

TABLE 4
SAT Scores*

	2011-12	2012-13	2013-14**	2014-15	2015-16
New Brunswick	1194	1200	1212	1216	1226
Newark	1069	1047	1058	1043	1031
Camden	1050	1041	1039	1030	1029

* Combined mean score (Math+Verbal) for all entering first-year students (all admit types). Note that with the SAT-Writing included for fall 2015, SAT means were 1828, 1542, and 1532 for New Brunswick, Newark, and Camden, respectively.

** Effective July 1, 2013, data include RBHS.

The University conducts aggressive marketing, communications, and recruitment campaigns to advance the University's competitive position and academic reputation to prospective and admitted students and their families. These campaigns are based on strategic marketing plans and are undertaken by professional admissions officers, currently enrolled students, paid regional recruiters, and alumni volunteers in a multi-state network. Outside of New Jersey, Rutgers' primary recruitment markets include California, Connecticut, Florida, Illinois, Maryland, Massachusetts, New York, Pennsylvania, Texas, and Virginia. Secondary markets are in Delaware, Georgia (Atlanta), Michigan, Minnesota (Minneapolis), New England (Maine/New Hampshire/Rhode Island/Vermont), Washington, D.C., and Wisconsin (Milwaukee). Recruitment initiatives in the Midwest have been bolstered by Rutgers-New Brunswick's membership in the Big Ten athletic conference. Admissions staff also recruits abroad in Asia, Europe, and South America, particularly in China, India and countries in the Middle East. The University maintains a state, national, and global reach by attracting competitive applicants from all 50 states and over 140 foreign countries.

Rutgers-New Brunswick has joined the Coalition for Access, Affordability, and Success. The Coalition includes more than 90 of the most prestigious universities in North America. Rutgers will appear on the Coalition Application platform for students applying for admission in 2017. This is the first time Rutgers will be represented on a national application platform.

A key aspect of the University's marketing and recruitment efforts are the Honors programs at the New Brunswick, Newark, and Camden campuses. These programs represent an investment in those whom the University expects to be its strongest students by creating living-learning communities that support academic achievement and encourage engagement in campus life and in larger communities. Over 1,200 students at the New Brunswick, Newark, and Camden campuses are enrolled in these Honors programs that offer an enriched educational experience, interdisciplinary exploration and experiential learning.

Tuition, Charges and Fees

The University operates its full-time academic programs on a two-semester basis. Tuition and fees vary with the college or school year. In July of each year, the Board of Governors approves the University's annual tuition and fees rates for the undergraduate and graduate schools. The following table indicates the University's tuition and other charges per academic year as indicated for the various classifications of full-time students for the related academic years.

TABLE 5
Tuition, Charges and Fees ($)

	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Tuition:					
Undergraduate students:					
Residents	$10,104	$10,356	$10,718	$10,954	$11,217
Non -Residents	22,766	23,676	24,742	25,732	26,607
Room and Board Charges[1]	11,262	11,412	11,578	11,748	12,054
Fees[2]	2,650	2,716	2,781	2,859	2,914
Tuition:					
Graduate students:[3]					
Residents:					
Maximum (12 credits)	14,664	15,024	15,552	15,888	16,272
Minimum (9 credits)	10,998	11,268	11,664	11,916	12,204
Non -Residents:					
Maximum (12 credits)	23,664	24,600	25,704	26,736	27,648
Minimum (9 credits)	17,748	18,450	19,278	20,052	20,736
New Jersey Medical School:					
Residents			35,823	36,182	37,050
Non -Residents			57,479	57,479	59,433
Robert Wood Johnson Medical School:					
Residents			35,823	36,182	37,050
Non -Residents			57,479	57,479	59,433
New Jersey Dental School:					
Residents			35,823	37,972	38,883
Non -Residents			57,479	60,929	63,001
Graduate School of Biomedical Sciences:					
Residents			9,236	9,515	9,800
Non -Residents			13,378	13,779	14,192

1 Board charges based on the plan for 210 meals.

2 Fees include the campus fee, the school fee, the computer fee and the capital improvement fee.

3 A full time graduate student is defined as taking at least 9 credits per semester (except for business and law). All graduate students (except for business and law) will be charged on a per credit basis up to 12 credits per semester. Tuition charges are capped at 12 credits per semester.

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 2015, 49,485 University students (75.0% of the total enrollment) received some form of University administered student aid.

In 2015, University students received over $900 million in federal, state, and University financial assistance. Federal funds 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. State funds include the New Jersey Tuition Aid Grant, the Educational Opportunity Fund, and the three specific merit scholarships which, taken together, comprise the Garden State Scholarship Program. University funds include the Rutgers Assistance Grant Program which provided $30.6 million to over 10,800 recipients in 2015. These funds are included in "Institutional Funds" in Table 6.

Table 6 provides information concerning financial assistance the University has provided to students for the five years ending June 30, 2015. Federal and State governments programs are subject to annual appropriations and funding by the respective legislatures and there can be no assurance that such funding will be available in the future.

TABLE 6
Student Financial Aid
($ in millions)

	2010-11	2011-12	2012-13	2013-14[2]	2014-15
Scholarships/Grants:					
Institutional Funds[1]	$121.3	$132.8	$136.2	$146.8	$158.0
State Funds	74.1	80.5	87.8	92.0	98.1
External Funds	6.1	5.9	6.4	7.6	6.9
Federal Funds	66.5	65.4	67.3	73.7	77.1
Total Scholarships/Grants	268.0	284.6	297.7	320.1	340.1
Loans Made To Students:					
University Loan Funds	0.2	0.6	0.5	0.5	0.6
State Loan Funds	45.4	29.9	18.7	19.8	16.7
External Funds	21.1	30.0	40.4	50.0	53.0
Federal Loan Funds	303.4	336.4	329.3	429.5	431.0
Total Loans Made To Students	370.1	396.9	388.9	499.8	501.3
Student Employment:					
Federal Work-Study	6.2	4.4	4.4	4.7	5.2
University Student Payroll	30.3	28.6	29.0	32.8	67.8
Total Student Employment	36.5	33.0	33.4	37.5	73.0
TOTAL	$674.6	$714.5	$720.0	$857.4	$914.4

[1] Includes Rutgers Assistance Grant funds and tuition remission benefits provided to graduate and teaching assistants, employees and children of employees.

[2] Effective July 1, 2013, data include RBHS.

Budgeted Revenues of the University

Table 7 summarizes the University's revenues by source. Figures shown for FY2013 through FY2015 were derived from the University's Financial Statements except as noted in the footnotes. FY2016 are budgetary figures.

TABLE 7
Actual and Budgeted Revenues
($ in thousands)

	2013[2,4] Actual	2014[3,4] Actual	2015[4] Actual	2016[5] Budget
Operating Revenues				
Student Tuition and Fees [1]	$847,445	$1,011,742	$1,068,382	$1,058,691
Federal Grants and Contracts	225,195	311,766	302,504	330,101
State and Municipal Grants and Contracts	50,268	147,226	165,153	112,870
Nongovernmental Grants and Contracts	70,022	120,703	117,210	86,898
Auxiliary Enterprises [1]	312,774	333,447	349,567	355,585
Net Patient Services Revenues		487,578	518,019	565,227
Other Operating Revenues	68,335	126,880	130,439	212,038
Total Operating Revenues	1,574,039	2,539,342	2,651,274	2,721,410
Non-Operating Revenues				
State Appropriations	262,760	455,188	455,194	439,928
Fringe Benefits Paid Directly by the State of New Jersey	170,141	322,205	326,690	342,654
Federal Appropriations	9,207	8,463	7,346	6,500
Federal Student Aid	72,179	77,633	81,774	81,003
State Student Aid	93,936	96,471	106,933	110,004
Contributions	25,713	40,625	52,416	37,879
Investment Income (including Net Increase (Decrease) in Fair Value of Investments)	74,926	118,609	47,499	35,647
Other Non-operating Revenues	6,446	10,836	5,297	6,085
Net Non-operating Revenues	715,308	1,130,030	1,083,149	1,059,700
Total Operating and Non-Operating Revenues	$2,289,347	$3,669,372	$3,734,423	$3,781,110

1 The following scholarship allowances have not been deducted from Student Tuition and Fees and Auxiliary Enterprises:

Student Tuition and Fees	$176,853	$191,513	$205,331	$204,711
Auxiliary Enterprises	39,754	41,987	43,307	44,057

2 Beginning 2013, due to the adoption of new GASB pronouncements, the amounts shown exclude the Rutgers University Foundation.

3 Effective July 1, 2013, data include RBHS.

4 Figures shown do not reflect Interest on Capital Asset Related Debt and Loss on Disposal of Capital Assets shown in the University Financial Statements.

5 2016 Budget adopted by the Board of Governors.

See "Recent Developments – *FY2015 Results*" for additional information.

Budgeting Procedures of the University

The University submits an annual request for partial funding of operating expenses to the State Department of the Treasury for review and possible incorporation in the Governor's proposed budget for the State's upcoming Fiscal Year. A portion of the amount included in the University's budget for educational and general operating expenditures is, upon enactment of a final State budget, appropriated out of the State's General Fund and held by the State for payment to the University from time to time during the Fiscal Year. 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 by signature of the Governor, an operating budget for the University is developed by the Vice President for University Budgeting, working with University Vice Presidents and Chancellors, utilizing a Responsibility Center Management budgeting approach. The University's operating budget is then submitted for review and approval to the University's Board of Governors. Thereafter, oversight of the University's budget rests with the Office of the Executive Vice President for Finance and Administration and University Treasurer. 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 Executive Vice President for Finance and Administration and University Treasurer, and appropriate steps are taken to ensure that budgets are adhered to or adjusted to meet changed needs.

Research and Development

Rutgers is one of the nation's leading research institutions. According to the most recent data published by the National Science Foundation, annual research and other sponsored expenditures at Rutgers exceeded $677 million in FY2014, which ranks the University among the top 20 public universities nationally. Total awards for sponsored research and programs rose more than 18% to $612.5 million in 2015, as compared to $517.7 million in 2014. Federal awards remain the most significant source of research funding for the University totaling $303.2 million in 2015. In 2015, the University received $138.7 million in National Institute of Health funding and $55.5 million in National Science Foundation funding. The University also receives substantial research funding from the State, foundations, and corporations.

Notable research items include:

- Rutgers Professor Emerita Evelyn Witkin was awarded the Lasker Prize in 2015, which is often a precursor to a Nobel Prize. She was honored for her pioneering research in DNA mutagenesis and repair.

- The New Jersey Inventors Hall of Fame honored three Rutgers faculty members in 2015. Among those honored were Peter Lobel and David Sleat, professors at the Center for Advanced Biotechnology and Medicine, who developed the first potential therapy for Batten Disease, which is a progressive and fatal illness in children.

- According to Reuters' global list of the Most Innovative Universities released in 2015, Rutgers is among the top 50 universities in the world for innovation

- Rutgers innovation has led to more than 60 currently active startup companies. One is TYRX, a medical device maker in Monmouth Junction that Medtronic purchased in 2015 for more than $160 million

The University's research and sponsored grants and contracts awarded for the five years ending June 30, 2015 are shown below.

TABLE 8
Research and Sponsored Grants and Contracts Awarded
($ in millions)

	2011	2012	2013	2014*	2015
Federal	$281.1	$237.8	$221.8	$272.1	$303.2
State of New Jersey	37.5	57.5	35.5	130.0	177.8
Corporate	17.7	19.3	19.8	23.8	31.0
Foundations/Other	40.1	82.6	84.3	91.8	100.5
	$376.4	$397.2	$361.4	$517.7	$612.5

* Effective July 1, 2013, data include RBHS.

State Appropriations

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.

The State, in accordance with State statutes, also makes employer contributions on behalf of the University's three retirement plans. Reimbursement is based upon a composite fringe benefit rate provided by the State for all State plans. See "APPENDIX B – Independent Auditors' Report and Financial Statements of Rutgers, The State University" herein.

During the five years ended June 30, 2015, the State appropriations received by the University for educational and general expenditures, together with fringe benefits for Rutgers employees paid directly by the State are shown below:

TABLE 9
State Appropriations to the University
($ in thousands)

Fiscal Year	State Appropriation	Fringe Benefits Paid Directly By the State	Total
2011	$273,188	$164,968	$438,156
2012	262,360	166,967	429,327
2013	262,760	170,141	432,901
2014*	455,188	322,205	777,393
2015	455,194	326,690	781,884
TOTAL	$1,708,690	$1,150,971	$2,859,661

* Effective July 1, 2013, data include RBHS.

The State's FY2016 budget provided $439.9 million in State appropriations and $342.7 million in fringe benefits paid directly by the State for a total of $782.6 million. There can be 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.

See "Recent Developments – *State Appropriations*" for additional information.

Patient Services

In addition to its academic mission, RBHS faculty provide clinical services across a broad range of disciplines including medicine, dentistry, nursing, mental and behavioral health, and physical and rehabilitation science through its faculty practices and community health programs. There are more than 1.7 million patient visits to RBHS health care facilities annually, and patients are served by approximately 995 physicians, dentists, mental health professionals, and other health practitioners. RBHS clinical facilities are located throughout the state—at Rutgers University–New Brunswick, including Piscataway; and at locations in Newark, Scotch Plains, Somerset, Stratford, and other locations. Clinical partners include the Robert Wood Johnson University Hospital in New Brunswick, Newark's University Hospital in Newark, and other affiliates.

Since the formation of RBHS following the 2013 integration with UMDNJ, net patient services revenue, including transfers from component units, was approximately $518.8 million in FY2014 and $554.2 million in FY2015.

RBHS is undertaking a major transformation to address the changing environment for health care delivery. The goal is to be a state-wide integrated faculty practice that is a leader in delivering value-based health care services, focused on population health. Areas of focus include patient care delivery, clinical and business information systems, payment models, and organizational structure. See "Recent Developments – *RBHS Initiatives*" for additional information.

The Rutgers University Foundation and Fundraising

The Rutgers University Foundation (the "Foundation") was incorporated in 1973. The sole mission of the Foundation is to support the University 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.

The University completed its $1 billion funding campaign on December 31, 2014. The campaign goal was a 100% increase from the $500 million goal of the University's previous campaign which concluded in June 2004. A total of $1.037 billion in new gifts and pledges were received during the campaign. During fiscal year 2015, the Foundation raised $187.9 million in new gifts and pledges compared to $148.4 million for fiscal year 2014.

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

Table 10 sets forth the total gifts received for the benefit of the University for the five years ended June 30, 2015.

TABLE 10
Gifts Received
($ in thousands)

Fiscal Year	Total Receipts
2011	$93,616
2012	83,134
2013	107,363
2014*	124,892
2015	150,958

* Effective July 1, 2013, data include RBHS.

To meet the challenge of raising an increasing amount of private support, Rutgers maintains a professional fund-raising staff of 205. In addition, in 2015, professionally-trained student callers raised $2.1 million for the Foundation's Rutgers Fund, an annual fund-raising activity.

Endowment and Other Investments

As of June 30, 2015, the University's endowment and similar funds had an aggregate market value of $916 million. Table 11 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, 2015.

TABLE 11
Endowment and Similar Funds
($ in thousands)

Fiscal Year	Estimated Fair Value
2011	$638,964
2012	634,944
2013	703,223
2014*	879,131
2015	916,227

* Effective July 1, 2013, data include RBHS.

The above table does not include funds held in trust by others, which at June 30, 2015 had a market value of $63.7 million.

As of December 31, 2015, the University's endowment and similar funds had an aggregate market value of $939.8 million (unaudited).

Endowment Investment Management and Spending Policy

The primary financial objective for managing the 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 endowment assets are under the regular direction and 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.

The majority of endowment fund assets are held in the Long-Term Investment Pool (LTIP). The following table presents the LTIP asset allocation as of June 30, 2015.

TABLE 12
Asset Allocation

Fund	**Allocation**
US Equity	17.8%
International Large Stocks	14.7%
International Emerging Stocks	4.0%
Private Equity	9.2%
Fixed Income	11.7%
Cash	5.0%
Hedge Funds	23.4%
Real Assets	14.2%
Total	100%

The LTIP's performance for the period ended June 30, 2015 is as follows:

TABLE 13
Long-Term Investment Pool Performance

	Return
1-Year	2.9%
3-Year	10.0%
5-Year	9.4%
10-Year	6.6%

The University's annual spending policy is to spend an amount not to exceed 4.275% of the trailing 13-quarter average of the endowment's market values. The endowment also distributes 0.95% of the trailing 13-quarter average of the endowment's market value annually to the Rutgers University Foundation for development activities.

University Operating Funds

The University had approximately $2.01 billion in total cash and investments as of December 31, 2015. Of this amount, approximately $869 million were operating funds of the University with at least monthly liquidity. In addition, the University has a $100 million line of credit that can be used for operating purposes.

Recent Developments

Rutgers' 250th Anniversary

Chartered ten years before the American Revolution in 1766, Rutgers is the eighth oldest institution of higher learning in the United States. Once a small sectarian college, Rutgers is now a leading national public research university. The University's mission of teaching, research, and service has endured for nearly 250 years. November 10, 2016, will mark Rutgers' 250th Anniversary.

FY2015 Results

The University achieved positive operating results on a budgetary basis in FY2015. Operating revenues were approximately $3.79 billion and expenses were approximately $3.72 billion for an approximate margin of $74.2 million. Net tuition revenue increased 5.2% over FY2014 and net patient service revenue increased 6.8% over FY2014. FY2015 was the first year of implementation of GASB-68 which requires that the proportionate share of net pension liability be recognized by each participating employer in the plan. The University participates in the State's Public Employees Retirement System and Police and Firemen's Retirement System. As a result, the University recorded a $1.35 billion liability and a $68 million expense in FY2015. These adjustments impacted GAAP financial results. The State of New Jersey has stated that "GASB-68 reporting requirements solely govern financial reporting. Therefore, the allocation of the liabilities does not result in any change to the longstanding annual State budget tradition (in place since at least 1986) whereby the State pays for institutional fringe costs with reimbursements for certain positions." As of June 30, 2015, the University had $3.26 billion in net position prior to the adjustment for GASB-68 and $1.91 billion in net position after the adjustment. See "APPENDIX B – Independent Auditors' Report and Financial Statements of Rutgers, The State University" herein.

RBHS Initiatives

The integration with UMDNJ impacted University operating performance in FY2013 and FY2014, but the transition was managed with minimal impact to on-going operations. The FY2015 financial results demonstrate the University's on-going efforts to manage successfully the combined institution. For example, the University undertook major initiatives in the areas of patient access and clinical practices to improve the financial performance of the Robert Wood Johnson Medical School Faculty Practice which have yielded substantial positive results. The University is currently working on the creation of a health care faculty practice plan that will combine service delivery at 12 separate schools, practices, divisions, and institutes into an integrated statewide practice that is aiming to be the market leader in delivering healthcare throughout the region. This will be the first step in a process of rapidly preparing RBHS to become the leader in value-based healthcare in the State.

Management Initiatives

The University is undertaking a wide range of initiatives to improve management and performance. These initiatives include: (i) Responsibility Center Management budgeting procedures implemented in July 2015 for FY2016 in order to enhance accountability for financial performance throughout the University's units and central administration; (ii) the University appointment of a Chief Enterprise Risk, Ethics and Compliance officer in December 2015 to identify critical risks and develop tools and techniques to manage risks; and (iii) new consolidated Administrative Information Systems for financial management, procurement, human resources, grants management and budgeting with the first modules expected to be on line in October 2016.

State Appropriations

On February 16, 2016, Governor Chris Christie released his proposed FY2017 budget for the State with the following statement in the summary document: "Overall, higher education funding is maintained at a total of $2.2 billion in fiscal 2017. Of the $250 million in public employee health and prescription savings proposed in this budget, more than $60 million is reflected as savings within the fringe benefit costs of the public higher education community. Plan Design Committee action is essential to achieve these savings. If the savings are not realized, offsetting reductions in support may be necessary."

Physical Master Plan and Capital Projects

In June 2015 the University completed its Physical Master Plan, *Rutgers 2030*, which envisions development at Rutgers over a 15-year time frame and is comprehensive in its scope, taking into account buildings, the natural and constructed landscape, transportation, and infrastructure. While the physical master plan provides guidance and vision for capital projects over the next 15 years, many projects are now under way that will dramatically improve the student experience on the campuses, support strengths in arts and sciences, and grow critical disciplines. These projects have been made possible by the generosity of the University's private donors, by funds made available from the State of New Jersey, by University bond funds, and by creative partnerships with the public sector.

In November 2012, the voters of New Jersey approved the Building Our Future Bond Act which authorized the State to issue bonds totaling $750 million to help increase academic capacity at New Jersey institutions of higher education. In addition to the Building Our Future Bond Act, the State has also authorized the issuance of bonds to fund several higher education initiatives including the Higher Education Facilities Trust Fund Act for the purpose of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities and the Higher Education Capital Improvement Fund Act for the purpose of paying the costs, or a portion of the costs, of certain capital improvements authorized in accordance with the Capital Improvement Fund Act.

In total, the University has received approximately $387 million in funding from the State of New Jersey for capital projects from these and other State programs.

The major construction projects completed or in progress include:

- Conversion of 15 Washington Street in Newark into a mixed use 260,000 square-foot residence to house 175 graduate and 185 undergraduate students on the Newark Campus.

- Construction of a new facility for the Department of Chemistry and Chemical Biology on the Busch Campus in Piscataway that will feature 145,000 square-feet of flexible research space and classrooms designed to facilitate collaborative research and learning. This will provide a state-of-the-art facility to train the next generation of globally engaged scientists and support the needs of the chemical industry in New Jersey and beyond.

- Construction of the first new academic building on the College Avenue Campus in New Brunswick in more than 50 years. The Rutgers Academic Building is an approximately 175,000 square foot academic building for the Rutgers University School of Arts & Sciences consisting of approximately 2,500 seats of classroom space in the form of modern lecture halls as well as departmental office space.

- Construction of an approximately 500 bed residence hall in New Brunswick for honors students including programming space, office space, common space, and other amenities to enhance undergraduate honors research work. The Honors College creates an environment for the University's brightest students to share space with faculty and deans in order to foster mentorships, cultural exchanges and academic engagement.

- Construction of a 78,000 square-foot facility for the Institute for Food, Nutrition and Health on the Cook Campus in New Brunswick that contains state-of-the-art laboratories, community clinics, a children's nutrition center and preschool as well as a dining facility offering health food options.

- Renovation of 305 Cooper Street, the Henry Genet Taylor House originally built in 1885, includes renovation of the existing 6,685 square-foot building. The historic accuracy of the building will be maintained during the renovation process with significant features being restored to its original aesthetic.

Outstanding Indebtedness of the University

Table 12 summarizes the short-term and long-term outstanding indebtedness of the University as of June 30, 2015.

TABLE 14
Outstanding Indebtedness of the University
($ in thousands)

	Final Maturity	Outstanding
General Obligation Refunding Bonds, 2002 Series A	2018	$ 33,000
General Obligation Bonds, 2009 Series F	2039	194,735
General Obligation Bonds, 2009 Series G	2039	70,490
General Obligation Bonds, 2010 Series H (Federally Taxable – Build America Bonds)	2040	390,990
General Obligation Refunding Bonds, 2010 Series I	2029	30,875
General Obligation Refunding Bonds, 2013 Series J	2036	328,840
General Obligation Refunding Bonds, 2013 Series K	2033	122,370
General Obligation Bonds, 2013 Series L	2043	339,195
General Obligation Commercial Paper		65,833
Long-term notes		1,655
Capitalized lease obligations		426,108
Total Indebtedness		$2,004,091

General Obligation Bonds

The University has outstanding four series of General Obligation Refunding Bonds and four series of General Obligation Bonds issued under the 2002 Master Indenture, the First Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, and the Ninth 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 program 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. The University has capitalized lease obligations and state backed programs through various state authorities. See "APPENDIX B – Independent Auditors' Report and Financial Statements of Rutgers, The State University" herein.

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.

Standby Purchase Agreements for Bonds and Commercial Paper

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 ("Bond Purchase Agreement") with TD Bank ("Liquidity Provider") under which the Liquidity Provider is obligated to purchase the University's 2002 Series A Bonds, subject to suspension or termination upon the occurrence of certain events. The Bond Purchase Agreement will terminate on May 1, 2018, unless terminated prior to such date in accordance with its terms. JP Morgan & Co. is the exclusive remarketing agent in connection with the remarketing of the 2002 Series A Bonds.

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 "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 which are delivered to the Trustee but not remarketed by the Remarketing Agent. The Standby Bond Purchase Agreement will expire on May 4, 2018, unless extended or terminated. The University has the right and may elect to terminate the Initial Liquidity Facility in its discretion. Nothing in the Seventh Supplemental Indenture shall require the University to deliver to the Trustee a Substitute Liquidity Facility upon expiration or termination of a Liquidity Facility.

As of June 30, 2015, the University has $65.83 million aggregate principal amount of General Obligation Commercial Paper, Series A and C (the "Commercial Paper") outstanding. The University entered into a Standby Commercial Paper Purchase Agreement (the "Standby Commercial Paper Purchase Agreement") with Wells Fargo Bank, National Association (the "Commercial Paper Liquidity Provider") under which the 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 10, 2018 unless terminated prior to such date in accordance with its terms. Morgan Stanley & Co. Incorporated is the exclusive commercial paper dealer in connection with the offering and issuance of the Commercial Paper.

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 Bond Liquidity Provider or Commercial Paper Liquidity Provider, as applicable, or either of their assignee pursuant to the Standby Bond Purchase Agreement or Standby Commercial Paper Purchase Agreement, respectively).

Interest Rate Swaps

The University has entered into various interest rate swaps related to its Bonds as detailed in Table 13. As of December 31, 2015, the University had posted $12.6 million in collateral to secure its exposure related to certain swaps.

TABLE 15
Interest Rate Swaps
($ in thousands)

Counterparty	Current Notional Amount	Termination Date	Rate paid by Dealer	Rate paid by Rutgers	Fair Value[2]
Bank of New York	$14,905	5/1/2027	SIFMA	3.824%	($3,028)
Bank of New York	$13,500	11/1/2017	100% 1MO LIBOR	5.127%	($1,025)
JP Morgan & Co.	$33,000	5/1/2018[1]	SIFMA	3.960%	($1,750)
Merrill Lynch	$100,000	11/1/2038	100% 3MO LIBOR	4.080%	($26,634)

[1] Counterparty has the option to terminate the swap should SIFMA average more than 7% per annum for 180 days.
[2] As of December 31, 2015.

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 June 30, 2015, the outstanding amount due on the loans was $0.3 million.

Guaranty of LEAP School Bond Financing

In 2003, the University entered into a Guaranty Agreement 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. On October 1, 2015, the existing DRPA 2003 Bonds were refinanced by the New Jersey Economic Development Authority for $5.9 million.

Financial Statements of the University and Independent Auditors

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 financial statements of the University have been audited by KPMG LLP, independent certified accountants, as stated in their report.

See "APPENDIX B – Independent Auditors' Report and Financial Statements of Rutgers, The State University" herein.

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 $7.8 billion as of July 1, 2015 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 a business interruption policy.

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.

For additional information, see "APPENDIX B – Independent Auditors' Report and Financial Statements of Rutgers, The State University; Note 16" herein.

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 those 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.

APPENDIX B

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

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RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

Financial Report
2014-2015

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RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

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December 17, 2015

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, 2015, the second year following the consolidation with units formerly part of the University of Medicine and Dentistry of New Jersey. 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, public service, and healthcare.

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

Respectfully submitted,

J. Michael Gower
Senior Vice President for Finance & Treasurer

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Rutgers, the State University of New Jersey (the University), a component unit of the State of New Jersey, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate (UPA), which represents approximately 29%, 11%, and 46%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UPA, is based solely on the report of the other auditors. We conducted our audit 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 from material misstatement.

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

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate were prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The amount by which this departure would affect the assets, net position, and revenues of the aggregate discretely presented component units has not been determined.

Qualified Opinion

In our opinion, based on our audit and the report of the other auditors, except for the effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the University, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the University as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in Note 1 to the financial statements, as of July 1, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB Statement No. 68.* Our opinions are not modified with respect to this matter.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules of employer contributions and schedules of proportionate share of the net pension liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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

Short Hills, New Jersey
December 17, 2015

Management's Discussion and Analysis (unaudited)
June 30, 2015

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, 2015 and its changes in financial position for the fiscal year then ended with fiscal year 2014 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.

In fiscal 2015, the financial reporting entity of Rutgers included 34 degree granting schools, of which 25 offered graduate programs of study with over 66,000 students enrolled in these programs. These schools are located at Rutgers University–New Brunswick, Rutgers University–Newark, and Rutgers University–Camden. Rutgers Biomedical and Health Sciences, a division within Rutgers, is closely aligned with Rutgers University–New Brunswick. The university also maintains educational services in many other communities throughout the State of New Jersey. The university operates research and institutional facilities on 6,088 acres in all 21 counties and 78 municipalities.

The university's financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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's business type activities as a whole rather than the accountability of funds.

The financial statements also include the financial activity of 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 One Washington Park units provide financing services to the university classifying it as a component unit blended with those of the university. The financial statements for the Rutgers University Foundation (the Foundation) and University Physicians Associates of New Jersey, Inc. and Affiliate (UPA) are presented discretely. 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. UPA supports Rutgers Biomedical and Health Sciences through administrative assistance to clinical faculty of the New Jersey Medical School.

Implementation of GASB 68

In June 2012, GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The university participates in the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) both defined benefit cost-sharing multiple-employer pension plans. GASB 68 requires that the proportionate share of the net pension liability be recognized by each participating employer in the plan. The net pension liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service net of the pension plan's fiduciary net position. A cost-sharing employer is also required to recognize its proportionate share of pension expense and report deferred outflows and deferred inflows of resources for its proportionate share. The changes in net pension liability adjusted for the deferred inflows and deferred outflows of resources result in pension expense. Prior to this year, the university only recognized pension expense for these plans up to the amount contributed to the plan by the state as indicated within the fringe benefit rate provided by the state. In 2015, this contribution amounted to $12.6 million. Under GASB 68, the pension expense recorded is $80.6 million. Historically, the state has directly covered pension contributions on behalf of the university and has no current plans to change that. GASB 68 also required the recording of deferred outflow of resources of $73.8 million, a net pension liability of $1,354.7 million and a deferred inflow of resources of $67.7 million. The university was also required to adjust the beginning net unrestricted position by ($1,280.5) million to reflect the cumulative effect of implementation from prior years.

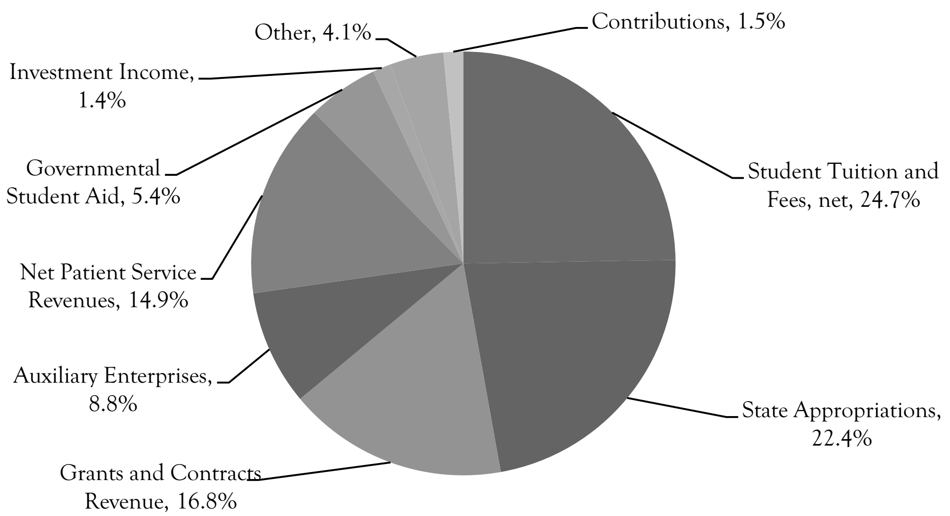
In order to provide a comparison of 2015 to the prior year, the amounts recorded as a result of the implementation of GASB 68 have been shown separately.

Financial Highlights

The university was required to reduce its beginning balance in net position by $1,280.5 million to reflect the cumulative effect of the pension liability through 2014. Total net position was therefore restated as of July 1, 2014, to $1,787.9 million. As a result, the university's net position increased through fiscal 2015 by $126.6 million to $1,914.5 million as of June 30, 2015. The university's total operating revenues amounted to $2,402.6 million in fiscal 2015. The major components of operating revenues are student tuition and fees (net of scholarship allowances) of $863.1 million, grant and contracts revenues of $584.9 million, and net patient service revenues of $518.0 million.

As the State University of New Jersey, the appropriation from the State represents a vital part of the university's funding. In fiscal 2015, the State maintained the base appropriation constant. Tuition revenue is another significant source of funding for the university. In fiscal 2015, in addition to an increase in tuition rates averaging 3.0%, enrollment was at its highest with 66,013 students. State appropriations, as well as contributions, investment income, and governmental student aid, are shown as nonoperating revenue.

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



Statement of Net Position

The Statement of Net Position presents the financial position of the university at the end of the fiscal year and includes all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (the difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources) 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 position. Net position is one indicator of the financial condition of the university, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the university's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2015 and 2014 is as follows (dollars in thousands):

	2015	GASB 68 Adjustment	2015 Net of GASB 68	2014
Assets				
Current assets	$1,240,318	$ –	$1,240,318	$1,274,310
Noncurrent assets				
Endowment, restricted and other noncurrent cash and investments	1,350,224	–	1,350,224	1,415,327
Capital assets, net	3,235,141	–	3,235,141	3,051,175
Other assets	126,989	–	126,989	128,957
Total Assets	5,952,672	–	5,952,672	5,869,769
Deferred Outflows of Resources	171,594	(73,845)	97,749	97,582
Total Assets and Deferred Outflows of Resources	6,124,266	(73,845)	6,050,421	5,967,351
Liabilities				
Current liabilities	598,164	–	598,164	653,819
Noncurrent liabilities	3,543,956	(1,354,656)	2,189,300	2,245,178
Total Liabilities	4,142,120	(1,354,656)	2,787,464	2,898,997
Deferred Inflows of Resources	67,660	(67,660)	–	–
Net Position				
Net investment in capital assets	1,457,539	–	1,457,539	1,351,416
Restricted - nonexpendable	563,890	–	563,890	548,115
Restricted - expendable	470,931	–	470,931	460,048
Unrestricted	(577,874)	1,348,471	770,597	708,775
Total Net Position (Deficit)	$1,914,486	$1,348,471	$3,262,957	$3,068,354

Current Assets and Current Liabilities

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, 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 deemed to be collectible in more than a year are also included as noncurrent. Current assets decreased $34.0 million in fiscal 2015.

Deferred outflows of resources are the consumption of net position that is applicable to a future reporting period. Deferred outflows of resources increased $74.0 million primarily as a result of the adjustment for GASB 68. Without this adjustment, deferred outflows of resources only increased $0.2 million.

Current liabilities include all liabilities that are payable within the next fiscal year. Unearned revenues, principally from summer programs and grant revenue received in advance, 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 decreased $55.7 million in fiscal 2015 primarily as a result of a reduction in the current portion of university debt issues. The university's current assets cover current liabilities by a factor of 2.1 times, an indicator of good liquidity and the ability to bear short term demands on working capital. The university's current assets also cover over four 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 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 2.9% in fiscal 2015. The average annual return over the 5 year period ending June 30, 2015 was 9.4%.

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 $33.2 million in fiscal 2015 and 28.9 million in 2014.

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 $14.8 million to $562.6 million for fiscal 2015. Term endowments are those funds received from donors that function as endowments until a specified event occurs. The university's term endowments decreased by $1.2 million to $49.9 million in fiscal 2015. Quasi endowments consist of restricted expendable 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 increased by $22.1 million in fiscal 2015 to $302.4 million.

From a net position 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 $152.2 million or 16.6% can be classified as unrestricted net position. 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

The University Physical Master Plan, Rutgers 2030, envisions development at Rutgers over a 15 year time frame and is comprehensive in its scope taking into account buildings, the natural and constructed landscape, transportation and infrastructure. While our physical master plan provides guidance and vision for capital projects over the next 15 years, many projects are now under way that will dramatically improve the student experience on our campuses, support our strengths in arts and sciences, and grow critical disciplines. These projects have been made possible by the generosity of our private donors, by creative partnerships with the public sector, and by funds made available through the historic Building Our Future Bond Act approved by New Jersey voters in November 2012 and other state bond programs.

The Building Our Future Bond Act authorized the state to issue bonds totaling $750 million to help increase academic capacity at New Jersey institutions of higher education. In May 2013, the state issued general obligation bonds totaling $350 million of which $100 million was for the Building Our Future Program. The university will receive a total of $173.9 million from this program. The university recorded $54.4 million in revenue from this program in 2015.

In addition to the Building Our Future Bond Act, the state has also authorized the issuance of bonds to fund several higher education initiatives. In September of 2014, the New Jersey Educational Facilities Authority (NJEFA) issued series 2014A bonds pursuant to the Higher Education Facilities Trust Fund Act (HEFT) in the amount of $199.9 million. This program authorizes the state to issue bonds for institutions of higher education in New Jersey for the purpose of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities. The university will receive $69.0 million from this program. In 2015, the university recorded $23.3 million in revenue from the HEFT program.

NJEFA also issued $203.3 million in Series 2014A-D bonds under the Higher Education Capital Improvement Fund Act (HECIF) in April 2014. HECIF provides funds to certain public and private institutions of higher education in the State for the purpose of paying the costs, or a portion of the costs, of certain capital improvements authorized in accordance with the Capital Improvement Fund Act. The university has been awarded $97.3 million from this program. In 2015, the university recorded $8.4 million in revenue from these bonds.

The university will also receive funds under the Technology Infrastructure Fund Act which created the Higher Education Technology Infrastructure Fund (HETI). HETI funds are required to be used to develop technology infrastructure within and among New Jersey's institutions of higher education in order to provide access effectively and efficiently to information, educational opportunities and workforce training, and to enhance the connectivity of higher education institutions to libraries and elementary and secondary schools. NJEFA issued Series 2014 in the amount of $38.1 million in January 2014. Rutgers will receive a total of $3.3 million for several technology projects. The university recorded $2.4 million in revenue from this program in 2015.

Finally, the state authorized NJEFA to issue Series 2014 Higher Education Equipment Leasing Fund bonds in the amount of $89.3 million under the Higher Education Equipment Leasing Fund Act (ELF). This act authorizes NJEFA to issue bonds to finance the purchase of any property consisting of, or relating to, scientific, engineering, technical, computer, communications, and instructional equipment for lease to public and private institutions of higher education in the State. The university has been awarded $43.8 million from this bond issue for the purchase of this type of equipment. In 2015, the university recorded $17.3 million in revenue from this program.

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.

In 2015, the university issued commercial paper in the amount of $30.7 million to refund Series 2003D and Series 2004COP.

The funds received from these state programs, university bonds and other funds received by the university have resulted in the $184.0 million increase in fiscal 2015 in capital assets, net. 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 fiscal 2015 include:

- Conversion of 15 Washington Street Newark into a mixed use 260,000 sq. ft. residence to house 175 graduate and 185 undergraduate students on the Newark Campus.
- Upgrades of Wessels, Leupp, Pell, Hegeman Halls on the College Avenue Campus to meet current buildings codes and address function efficiencies.

In addition, at June 30, 2015, the university had various projects under construction or in the design stage. Significant projects include:

- Construction of a new facility for the Department of Chemistry and Chemical Biology on the Busch Campus that will feature 145,000 square feet of flexible research space and classrooms designed to facilitate collaborative research and learning, providing a state-of-the-art facility to train the next generation of globally engaged scientists and support the needs of the chemical industry in New Jersey and beyond.
- Construction of the first new academic building on College Avenue in more than 50 years. The Rutgers Academic Building is an approximately 175,000 square foot academic building for the Rutgers University School of Arts & Sciences consisting of approximately 2,500 seats of classroom space in the form of modern lecture halls as well as departmental office space.
- Construction of an approximately 500 bed residence hall in New Brunswick for honors students including programming space, office space, common space and other amenities to enhance undergraduate honors research work. The Honors College will create an environment for our brightest students to share space with faculty and deans in order to foster mentorships, cultural exchanges and academic engagement.
- Construction of a 78,000 square foot facility for the Institute for Food, Nutrition and Health on the Cook Campus that will contain state-of-the-art laboratories, community clinics, a children's nutrition center and preschool as well as a dining facility offering health food options.
- Renovation of 305 Cooper Street, the Genet Taylor House, includes renovation of the existing 6,685 sq. ft. as well as an addition to the building that will include stairs, elevator and offices for the Department of English on the Camden Campus.

Net Position

Net Position represents 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 position measures whether the overall financial condition has improved or deteriorated during the year. Net position consists of four major categories; net investment in capital assets, restricted net position (nonexpendable and expendable), and unrestricted net position. Prior to the pension adjustment required by GASB 68, the university's net position increased by $194.6 million in 2015. As a result of the amounts recorded for pension expense under GASB 68, the July 1, 2013 net position was restated by $1,280.5 million and the fiscal year 2015 activity recorded was $68.0 million.

The first category, net investment in capital assets, 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 $106.1 million in fiscal 2015 resulted primarily from the various construction projects listed above.

The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position 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. The nonexpendable net position includes the permanent and term endowments mentioned previously under the Endowment and Other Investments section. The restricted nonexpendable net position increased by $15.8 million in fiscal 2015.

Expendable restricted net position is available for expenditure by the university but must be spent for purposes as specified by external donors. This category includes contributions received from donors and unspent income from endowed funds. There was an increase of $10.9 million in fiscal 2015.

The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose. Substantially all of the university's unrestricted net position has 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. Prior to the adjustments for GASB 68, there was an increase of $61.8 million in unrestricted net assets for 2015. The unrestricted net position beginning balance was adjusted by $1,280.5 million with the implementation of GASB 68 and the pension expense was increased by $68.0 million in 2015 resulting in a deficit unrestricted net position of ($577.9) million. This deficit is due to recording the university's full pension expense under GASB 68. The state is expected to cover this cost.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as either operating, non-operating, or other. Revenues received and expenses incurred as a result of the university providing goods and services to its customers are considered operating. Non-operating revenues are those received for which goods and services are not directly provided. The financial reporting model classifies state appropriations and gifts as non-operating 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 summary of the university's revenues, expenses, and changes in net position for the year ended June 30, 2015 and 2014 is as follows (dollars in thousands).

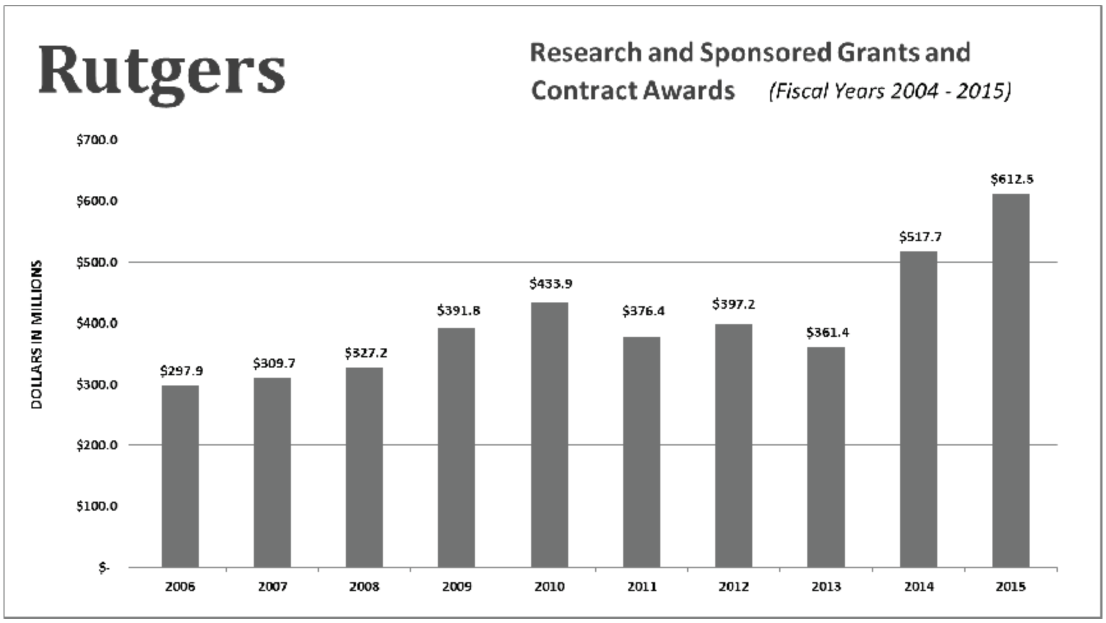
	2015	GASB 68 Adjustment	2015 net of GASB 68 Adjustment	2014
Operating revenues				
Student tuition and fees (net of scholarship allowances)	$863,051	$ –	$863,051	$820,229
Grants and contracts	584,867	–	584,867	579,695
Auxiliary enterprises (net of scholarship allowances)	306,260	–	306,260	291,460
Net patient service revenues	518,019	–	518,019	487,578
Other operating revenues	130,439	–	130,439	126,880
Total operating revenues	2,402,636	–	2,402,636	2,305,842
Operating expenses	3,411,728	(67,973)	3,343,755	3,324,016
Operating loss	(1,009,092)	67,973	(941,119)	(1,018,174)
Nonoperating revenues (expenses)				
State appropriations (including fringe benefits paid directly by the state)	781,884	–	781,884	777,393
Contributions	52,416	–	52,416	40,625
Endowment and investment income	23,287	–	23,287	15,678
Net increase in fair value of investments	24,212	–	24,212	102,931
Governmental Student Aid	188,707	–	188,707	174,104
Interest on capital asset related debt	(80,214)	–	(80,214)	(83,053)
Net other nonoperating revenues	11,715	–	11,715	17,760
Net nonoperating revenues	1,002,007	–	1,002,007	1,045,438
Income before other revenues	(7,085)	67,973	60,888	27,264
Other revenues	133,715	–	133,715	40,977
Increase in net position	126,630	67,973	194,603	68,241
Net position at beginning of year, as restated	1,787,856	1,280,498	3,068,354	3,000,113
Net position at end of year	$1,914,486	$1,348,471	$3,262,957	$3,068,354

Operating revenues represent 68.9% of total revenues. 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 $248.6 million of a total $302.6 million of student aid directly to student accounts. The remaining $54.2 million was paid to students and is reflected as scholarships and fellowships expense. Scholarship allowances allocated to tuition and fees amounted to $205.3 million. Another $43.3 million was allocated to residence fees, which are included in auxiliary revenues. Tuition rates were increased in fiscal 2015 by an average of 3.0%, while student fees increased an average of 2.8% in New Brunswick and 3.8% in Camden. Enrollment reached a peak of 66,013 for fiscal 2015. In 2015, the university also changed its procedures for recognizing tuition revenue from its summer session programs. The university now recognizes the revenue earned from summer programs run prior to June 30 in the current year and defers revenue for courses held after June 30. In the past, all summer session revenue was deferred to the following year. This change has resulted in an increase in revenue of approximately $20.0 million this year.

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. While the university experienced significant challenges in novating awards after the merger and additional delays in awards as a result of sequestration in 2014, all awards from the former UMDNJ have been novated. Renewals and new awards are also now being received. The university has succeeded in obtaining new grants with over 2,800 new awards totaling over $612.5 million this year representing an 18.3% increase in awards. Federal awards for research was approximately $303.2 million in 2015 with awards from the National Science Foundation (NSF) accounting for about $55.5 million of that total or a 21% increase in awards from this agency. Awards received from the State of New Jersey for research and sponsored programs increased by nearly 37% in 2015 to a total of $177.8 million. Awards from nongovernmental sources amounted to $131.7 million this year.

The following table summarizes the research awards received by the university over the last 10 years.



In fiscal 2015, *Federal Grants and Contracts* revenue amounted to $302.5 million or 51.7% of total grant and contract revenue. This year the university was awarded grants from various federal agencies including:

Under the Defense Advanced Research Projects Agency's Pathogen Predators program, Daniel Kadouri, associate professor in the Rutgers School of Dental Medicine, Rutgers Biomedical and Health Sciences, is the principal investigator of an award with an anticipated total funding of $7.0 million over a three year period. The university received the first $2.1 million in 2015. This project will examine the therapeutic potential of two types of predatory bacteria that kill germs that have developed a resistance to antibiotics.

The National Institute of Biomedical Imaging and Bioengineering awarded a grant to Prabhas Moghe, distinguished professor of Biomedical Engineering and Chemical and Biochemical Engineering, and Richard Riman, distinguished professor of Materials Science and Engineering, both in the School of Engineering, Rutgers–New Brunswick, for their project "Earth Nanocrystals and Infrared Light Reveal Cancerous Tumors and Cardiovascular Lesions." This is a four year grant with total anticipated funding of $2.0 million, of which $0.5 million was awarded in 2015.

In fiscal 2015, *State and Municipal Grants and Contracts* was $165.2 million or 28.2% of total grant and contract revenue. The following are some of the grants received this year from various state agencies.

The State of New Jersey Department of Transportation awarded Ali Maher, professor in the Department of Civil and Environmental Engineering and director of the Center for Advanced Infrastructure and Transportation, Rutgers–New Brunswick, a $4.5 million grant from for "Utilization of Pneumatic Flow Tube Mixing Technique."

The New Jersey Department of Education awarded Cynthia Blitz, executive director of the Center for Effective School Practices and associate research professor in the Graduate School of Education, Rutgers–New Brunswick, a $7.4 million grant for her project, "New Jersey Early Learning Training Academy."

Distinguished professor of public policy and director of the Center for State Health Policy, Rutgers–New Brunswick, Joel Cantor, is the principal investigator of a $3 million award from the Centers for Medicare and Medicaid Services for work on "New Jersey State Healthcare Innovation Project."

Finally, in fiscal 2015, *Nongovernmental Grants and Contracts* was $117.2 million or 20.0% of total grant and contract revenue. Some of the awards received this year include the following:

The Foundation for Newark's Future awarded Roland Anglin, director of the Joseph Cornwall Center for Metropolitan Studies, Rutgers–Newark, $1.5 million for his project "New City of Learning Collaborative."

The Bill and Melinda Gates Foundation awarded Anushua Sinha, associate professor of preventive medicine and community health, Rutgers New Jersey Medical School, a $750,000 grant to support "Maternal Pertussis Immunization Cost Effectiveness Analysis."

The Hunt Alternatives Fund awarded a grant of $400,000 to Kelly Dittmar, assistant professor in the Department of Political Science, Faculty of Arts and Sciences, Rutgers–Camden, and scholar at the Center for American Women and Politics at the Eagleton Institute of Politics, Rutgers–New Brunswick, for her project "Women Representing in an Era of Party Polarization."

Auxiliary enterprise revenues include revenues from the university's housing, dining facilities and other student related services, 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 of $349.6 million were offset by scholarship allowances of $43.3 million. Housing and dining revenues totaled $210.8 million or 60.3% of total gross auxiliary revenues. Housing and dining rates were held flat in fiscal 2015. Housing and dining expenditures totaled $143.8 million or 49.8% of total auxiliary expenditures.

Net patient services revenues include revenues related to patient care services, which are generated within RBHS behavioral healthcare, cancer and contract activities, under contractual arrangements with governmental payers and private insurers. This revenue increased by $30.4 million or 6.2% this year as a result of increased patient volume and higher affiliate revenues.

Operating expenses are reported by functional classification in the Statements of Revenue, Expenses, and Changes in Net Position and by natural classification in the notes to the financial statements (See Note 13). The following tables summarize the university's operating expenses by functional and natural classification.

Operating Expenses by Functional Classification
(dollars in thousands)

	2015	GASB 68 Adjustment	2015 net of GASB 68 Adjustment	2014
Instruction	$893,347	($29,334)	$864,013	$849,438
Sponsored Research	355,769	–	355,769	358,231
Other Separately Budgeted Research	98,331	(2,550)	95,781	76,467
Other Sponsored Programs	206,779	–	206,779	87,977
Extension and Public Service	50,395	(1,450)	48,945	146,128
Academic Support	115,343	(3,079)	112,264	123,342
Student Services	93,050	(2,333)	90,717	107,332
Operation and Maintenance of Plant	205,281	(4,674)	200,607	207,167
General Administration and Institutional	243,608	(7,314)	236,294	260,811
Scholarships and Fellowships	54,201	(215)	53,986	52,517
Depreciation	152,525	–	152,525	147,629
Patient Care Services	653,446	(12,504)	640,942	613,492
Auxiliary Enterprises	288,869	(4,520)	284,349	292,991
Other Operating Expenses	784	–	784	494
Total Operating Expenses	$3,411,728	($67,973)	$3,343,755	$3,324,016

Operating Expenses by Natural Classification
(dollars in thousands)

	2015	GASB 68 Adjustment	2015 net of GASB 68 Adjustment	2014
Salaries and Wages	$1,775,349	$ –	$1,775,349	$1,752,152
Fringe Benefits	582,430	(67,973)	514,457	543,132
Supplies and Services	838,553	–	838,553	815,680
Scholarships and Fellowships	62,871	–	62,871	65,423
Depreciation	152,525	–	152,525	147,629
Total Operating Expenses	$3,411,728	($67,973)	$3,343,755	$3,324,016

The natural classification of expenses demonstrates that the major expenditure of the university is salaries and wages accounting for more than 52.0% of total operating expenses with the GASB 68 adjustment and 53.1% without the adjustment. Negotiated salary increases were implemented this year resulting in an increase in salaries of 2.0%. Fringe benefits also increased significantly this year primarily resulting from the changes required under GASB 68. Prior to the implementation of GASB 68, the university's pension expense amounted to $12.6 million. Pension expense under GASB 68 amounted to $80.6 million or an increase of $68.0 million.

State appropriations, including fringe benefits paid directly by the State, represent approximately 22.4% of total revenues and is a significant source of funding for the university. The university received an appropriation from the New Jersey Department of State (DOS) totaling $409.2 million for the New Brunswick (including RBHS and the Agricultural Experiment Station), Newark and Camden campuses. In addition, the university received an appropriation from the New Jersey Department of Health in the amount of $28.0 million for the Rutgers Cancer Institute of New Jersey (CINJ). The university also received an appropriation from the New Jersey Department of Human Services (DHS) totaling $18.0 million for the Rutgers University Behavioral Health Care Centers (UBHC). Total appropriations for the year amounted to $455.2 million. Fringe benefits are also paid directly by the State and totaled $326.7 million in fiscal 2015.

Governmental Student Aid is also a significant component of nonoperating revenues. The university's students benefit from various federal programs, such as, Pell Grants and the Federal Supplemental Educational Opportunity Grants. In addition, the State provides aid through the Tuition Aid Grant (TAG) program and the Educational Opportunity Fund (EOF). The university received a total of $81.8 million from federal programs or a 5.4% increase over the $77.6 million received in 2014. The university also received $106.9 million from the state this year or an increase of 10.9% over the $96.4 million received in 2014.

Other revenues and expenses consist of grants and gifts received by the university for capital projects, as well as additions to permanent endowments. The university received a total of $113.0 million from the State of New Jersey for capital projects in 2015. The university received $20.7 million in 2015 to add to our endowment as a result of the Foundations campaign.

Economic Factors that will affect the future

The university continues to maintain a strong financial position without additional direct support from the state. While state funding to higher education was held level in the state budget, direct support to Rutgers has decreased by $15.3 million for 2016. In addition, the university increased tuition rates by only 2.4% for in-state students and 3.4% for out-of-state students in 2015. We will continue to meet our funding challenges through savings from increased efficiency and reduced administrative costs, revenue from nontraditional education programs, public-private partnerships, clinical care enterprises, increased grants and contracts, greater philanthropy and other sources. This year we have also implemented a new budgeting process, Responsibility Center Management (RCM), which should help the university make better use of its resources.

The university foundation successfully completed its $1.0 billion campaign, raising $1,037.1 million, to help meet the university's most pressing academic and financial needs. In total, more than 130,000 donors gave to the campaign, including more than 70,000 alumni. Funds raised through this campaign will be used to support academic initiatives and student services. The campaign also was able to meet its 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 university continues to attract high quality students. In fact, enrollment continues to increase with a total of 67,556 students enrolled for the fall 2015 semester. The university maintains a state, national, and global reach by attracting competitive applicants from all 50 states and over 140 countries.

As a result of the various state bond programs and other financing sources, the university has numerous construction and renovation projects underway. This year will see the completion of the Honors College project which will further improve the university's ability to attract high caliber students. Other projects, such as the Institute for Food, Nutrition and Health and the Rutgers Academic Building on College Avenue should be ready for the fall of 2016. These projects will provide additional space and resources for our growing institution.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENT OF NET POSITION
June 30, 2015
(dollars in thousands)

	Rutgers, The State University of New Jersey	Component Unit: Rutgers University Foundation	Component Unit: University Physician Associates of New Jersey, Inc and Affiliates
	2015	2015	2015
ASSETS:			
Current Assets			
Cash and Cash Equivalents	$167,663	$1,649	$17,235
Cash and Cash Equivalents - Restricted	131,782	22,299	5,603
Short-Term Investments	439,925	–	27,726
Short-Term Investments - Restricted	27,061	10,919	–
Investments Held by Trustees - Restricted	69,153	–	–
Accounts Receivable, net	387,589	3,605	–
Contributions Receivable, net – Current Portion	–	43,324	–
Inventories	3,909	–	–
Prepaid Expenses and Other Assets	13,236	658	647
Total Current Assets	1,240,318	82,454	51,211
Noncurrent Assets			
Cash and Cash Equivalents	87,957	–	–
Cash and Cash Equivalents - Restricted	318,483	–	–
Long-Term Investments	13,045	8,656	–
Long-Term Investments - Restricted	849,519	8,835	–
Investments Held by Trustees - Restricted	81,220	–	–
Accounts Receivable, net	124,604	–	–
Contributions Receivable, net – Noncurrent Portion	–	27,549	–
Cash Surrender Value of Whole Life Insurance Policies	–	687	–
Other Noncurrent Assets	2,385	–	–
Capital Assets, net	3,235,141	–	112
Total Noncurrent Assets	4,712,354	45,727	112
TOTAL ASSETS	5,952,672	128,181	51,323
DEFERRED OUTFLOWS OF RESOURCES:			
Loss on Refunding	71,832	–	–
Pension Related	73,845	–	–
Interest Rate Swaps	25,917	–	–
TOTAL DEFERRED OUTFLOWS OF RESOURCES	171,594	–	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,124,266	128,181	51,323

STATEMENT OF NET POSITION
June 30, 2015
(dollars in thousands)

	Rutgers, The State University of New Jersey	Component Unit: Rutgers University Foundation	Component Unit: University Physician Associates of New Jersey, Inc and Affiliates
	2015	2015	2015
LIABILITIES:			
Current Liabilities			
Accounts Payable and Accrued Expenses	354,505	$4,065	11,183
Payable to Rutgers, The State University of New Jersey	–	220	10,874
Unearned Revenue	92,912	–	–
Payroll Withholdings	22,797	–	–
Other Payables	2,235	–	–
Annuities Payable – Current Portion	–	854	–
Short-Term Liabilities	65,833	–	–
Long-Term Liabilities - Current Portion	59,882	–	–
Total Current Liabilities	598,164	5,139	22,057
Noncurrent Liabilities			
Accounts Payable and Accrued Expenses	44,590	425	14,254
Unearned Revenue	169,700	–	–
Derivative Instruments	25,917		–
Annuities Payable – Noncurrent Portion	–	6,493	–
Net Pension Liability	1,354,656	–	
Long-Term Liabilities – Noncurrent Portion	1,949,093	–	–
Total Noncurrent Liabilities	3,543,956	6,918	14,254
TOTAL LIABILITIES	4,142,120	12,057	36,311
DEFERRED INFLOWS OF RESOURCES:			
Pension Related	67,660	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,209,780	12,057	36,311
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	1,457,539	–	–
Restricted for			
Nonexpendable			
Instruction	231,291	1,615	–
Scholarships and Fellowships	249,401	6,514	–
Libraries	9,833	–	–
Other	73,365	333	–
Expendable			
Instruction	151,702	15,699	–
Research	65,924	28,588	–
Scholarships and Fellowships	83,834	9,651	–
Libraries	13,179	719	–
Loans	76,607	1	–
Capital Projects	23,958	27,547	–
Debt Service Reserve	15,639	–	–
Healthcare and Professional Services	9,676	–	–
Other	30,412	14,650	–
Unrestricted	(577,874)	10,807	15,012
TOTAL NET POSITION (DEFICIT)	$1,914,486	$116,124	$15,012

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015
(dollars in thousands)

		Component Unit	Component Unit
	Rutgers, The State University of New Jersey	Rutgers University Foundation	University Physician Associates of New Jersey, Inc and Affiliates
	2015	2015	2015
OPERATING REVENUES:			
Student Tuition and Fees (net of scholarship allowances of $205,331 in 2015)	$863,051	$ –	$ –
Federal Grants & Contracts	302,504	–	–
State & Municipal Grants & Contracts	165,153	–	–
Nongovernmental Grants & Contracts	117,210	57,758	–
Auxiliary Enterprises (net of scholarship allowances of $43,307 in 2015)	306,260	–	–
Net Patient Service Revenues	518,019	–	112,707
Other Operating Revenues	130,439	5,891	–
Total Operating Revenues	2,402,636	63,649	112,707
OPERATING EXPENSES:			
Educational and General			
Instruction	893,347	–	–
Sponsored Research	355,769	–	–
Other Separately Budgeted Research	98,331	–	–
Other Sponsored Programs	206,779	–	–
Extension and Public Service	50,395	–	–
Academic Support	115,343	–	–
Student Services	93,050	–	–
Operations and Maintenance of Plant	205,281	–	–
General Administration and Institutional	243,608	27,347	20,585
Scholarships and Fellowships	54,201	–	–
Depreciation	152,525	–	–
Patient Care Services	653,446	–	45,392
Auxiliary Enterprises	288,869	–	–
Distributions to Rutgers, The State University of New Jersey	–	103,877	–
Distributions to Douglass Associate Alumnae	–	85	–
Other Operating Expenses	784	–	45,220
Total Operating Expenses	3,411,728	131,309	111,197
Operating (Loss)/Income	(1,009,092)	(67,660)	1,510

(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015
(dollars in thousands)

		Component Unit	Component Unit
	Rutgers, The State University of New Jersey	Rutgers University Foundation	University Physician Associates of New Jersey, Inc and Affiliates
	2015	2015	2015
NONOPERATING REVENUES (EXPENSES):			
State Appropriations	455,194	–	–
State Paid Fringe Benefits	326,690	–	–
Administrative Fees and Support from Rutgers, The State University of New Jersey	–	14,560	–
Noncash Support from Rutgers, The State University of New Jersey	–	1,457	–
Federal Appropriations	7,346	–	–
Federal Student Aid	81,774	–	–
State Student Aid	106,933	–	–
Contributions	52,416	13,854	–
Endowment and Investment Income (net of investment management fees of $5,353 for the university in 2015)	23,287	479	992
Net Increase/(Decrease) in Fair Value of Investments	24,212	(270)	–
Interest on Capital Asset Related Debt	(80,214)	–	–
Loss on Disposal of Capital Assets	(928)	–	–
Other Nonoperating Revenues/(Expenses)	5,297	(1,086)	–
Total Net Nonoperating Revenues	1,002,007	28,994	992
(Loss)/Income before Other Revenues (Expenses)	(7,085)	(38,666)	2,502
			–
Capital Grants and Gifts	112,994	14,426	–
Additions to Permanent Endowments	20,721	27,809	–
Increase in Net Position	126,630	3,569	2,502
Net Position - Beginning of the Year, as restated (Note 2, page 26)	1,787,856	112,555	12,510
Net Position - End of the Year	$1,914,486	$116,124	$15,012

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(dollars in thousands)

	Rutgers, The State University of New Jersey
Cash Flows from Operating Activities:	
Student Tuition and Fees	$929,895
Research Grants and Contracts	637,397
Services to Patients	59,030
Professional Services and Contracts	464,011
Payments to Employees and for Benefits	(1,974,537)
Payments to Suppliers	(742,001)
Payments for Utilities	(98,673)
Payments for Scholarships and Fellowships	(108,383)
Collection of Loans to Students and Employees	1,331
Auxiliary Enterprises Receipts:	
Housing	133,131
Dining	78,974
Athletics	30,859
Parking	11,043
Other	22,273
Other Receipts	96,286
Net Cash Used by Operating Activities	(459,364)
Cash Flows from Noncapital Financing Activities:	
State Appropriations	448,607
Federal Appropriations	11,718
Contributions for other than Capital Purposes	56,618
Federal and State Student Aid	186,255
Contributions for Endowment Purposes	25,038
Other Payments	(6,027)
Net Cash Provided by Noncapital Financing Activities	722,209
Cash Flows from Financing Activities:	
Proceeds from Capital Debt and Leases	30,713
Capital Grants and Gifts Received	110,708
Purchases of Capital Assets and Construction in Progress	(299,956)
Principal Paid on Capital Debt and Leases	(56,392)
Interest Paid on Capital Debt and Leases	(97,974)
Debt Defeasance	(31,160)
Bond Issuance Costs	(149)
Other Receipts	9,157
Net Cash Used by Financing Activities	(335,053)
Cash Flows from Investing Activities:	
Proceeds from Sales and Maturities of Investments	843,538
Investment Income	21,726
Purchase of Investments	(869,263)
Net Cash Used by Investing Activities	(3,999)
Net Decrease in Cash and Cash Equivalents	(76,207)
Cash and Cash Equivalents - Beginning of the year	782,092
Cash and Cash Equivalents - End of the year	$705,885

(Continued)

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(dollars in thousands)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	**Rutgers, The State University of New Jersey**
Operating Loss	($1,009,092)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
State Paid Fringe Benefits	326,690
Depreciation	152,525
Amortization	810
Provision for Bad Debts	30,862
Changes in Assets and Liabilities:	
Receivables	(36,562)
Inventories	624
Prepaid Expenses and Other Assets	8,983
Accounts Payable and Accrued Expenses	11,497
Unearned Revenue	(13,671)
Payroll Withholdings	3,729
Other Payables	(3,732)
Net Pension Liability	67,973
Net Cash Used by Operating Activities	($459,364)

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

Rutgers, The State University of New Jersey (the university), one of the nation's nine colonial colleges, consists of 34 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. In 1945, an act of the State Legislature designated Rutgers as 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).

Effective July 1, 2013, the New Jersey Medical and Health Sciences Education Restructuring Act (the Act), (Chapter 45, P.L. 2012), went into effect. The Act integrated the Cancer Institute of New Jersey and all units of the University of Medicine and Dentistry of New Jersey (UMDNJ), except University Hospital (UH) in Newark and the School of Osteopathic Medicine (SOM) in Stratford, into Rutgers. The UMDNJ schools and units transferred to Rutgers joining 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 the Rutgers Biomedical and Health Sciences (RBHS) division.

Basis of Accounting

The basic financial statements of the university have been prepared on the accrual basis of accounting, using the economic resources measurement focus, 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.* Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

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

Reporting Entity

The university's financial statements and notes thereto include the financial statements of the Rutgers University Foundation (the Foundation), the units of the New Market Tax Credit (NMTC) Transaction (One Washington Park), which include One Washington Park Capital, LLC, Parkside RUN Investments, LLC, One Washington Park Holdings, LLC, and Washington Park Fund, LLC, and the University Physician Association of New Jersey, Inc. and Affiliate (UPA).

The Foundation is a legally separate, not-for-profit organization, which exists solely for the benefit of the university and was formed to aid the university to obtain private funds and other resources to meet the needs and achieve the goals of the university for which adequate funds may not be available from other sources. To fulfill this mission, the Foundation solicits and receives gifts and pledges from private sources including individuals, corporations, and foundations. All of the financial data for the Foundation is from their audited financial statements, reported in accordance with generally accepted accounting principles promulgated by GASB. The Foundation is discretely presented in the university's financial report as it would be misleading to exclude them and they exist for the direct benefit of the university, its students, and faculty. 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.

The governing body of the One Washington Park entities is primarily the same as that of the university, and they provide financing services to the university classifying them as blended component units. 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.

UPA, a not-for-profit organization, was incorporated on August 16, 1984. Located in Newark, New Jersey, its primary purpose was to support the UMDNJ through administrative assistance to clinical faculty of the New Jersey Medical School (NJMS). An agreement between UPA and UMDNJ (the Affiliation Agreement) established activities to be performed by UPA in support of UMDNJ. During 1992, UPA established the Doctors' Center Management Corporation (DCMC) to manage the Doctors Office Center. DCMC is considered an affiliate of UPA and is included in the UPA financial statements.

Pursuant to the Act, UMDNJ ceased to exist and NJMS was incorporated within the university. Also effective July 1, 2013, the Affiliation Agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Affiliation Agreement are Rutgers and UPA, the effect of which is that Rutgers succeeds to UMDNJ's obligations under the agreement (which expires on October 31, 2018).

The UPA became a component unit of the university due to the integration under the Act and meets the criteria to be reported as a component unit of the university since there is a financial benefit and the university has deemed the UPA misleading to exclude as a result of the nature and significance of their relationship. UPA's combined financial statements 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. Separate financial statements for the UPA can be obtained by writing to the Executive Director/ Chief Executive Officer, University Physician Associates of New Jersey, Inc., 30 Bergen Street, ASMC 12, Room 1205, Newark, New Jersey 07107.

Under GASB Statement No. 61, *The Financial Reporting Omnibus*, an amendment of GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, 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.

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 statement of net position. Investments with a maturity greater than one year and investments externally restricted for endowment purposes, to maintain sinking or reserve funds, and to purchase or construct capital or other noncurrent assets, including investments held by trustees, are classified as noncurrent assets in the statement of net position. 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. The year-to-year change in the fair value of investments is reported in the statement of revenues, expenses, and changes in net position as net increase in fair value of investments.

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 $63.7 million at June 30, 2015. Income derived from such irrevocable trust funds held by others, aggregating approximately $2.2 million in 2015, is reported in the accompanying financial statements as nonoperating revenue.

Prior to July 1, 2013, the New Jersey Health Foundation (NJHF) operated to support medical, dental and other healthcare education and research of UMDNJ and for other scientific, charitable, literary and educational purposes. As a result of the integration of UMDNJ, except for UH and SOM, into the university, the fundraising function for the resulting RBHS division was assumed by the Foundation on July 1, 2013. The NJHF is not considered a component unit within the university. However, the NJHF holds permanently restricted net assets for RBHS that consist of endowment contributions from donors with income to be used for specific or general purposes, as well as temporarily restricted net assets for RBHS subject to donor imposed stipulations that will be met by actions of NJHF or by the passage of time.

Inventories

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

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 6.0 million 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.

Unearned Revenue

Unearned revenue includes summer session activity for July and August which will be recognized as revenue and expense in the following fiscal year. In addition, capital State grants, including the Capital Improvement Fund (CIF), Equipment Leasing Fund (ELF), the Higher Education Technology Infrastructure (HETI), and the Higher Education Facilities Trust (HEFT), for which all eligibility requirements for revenue recognition have not been met, are included as noncurrent unearned revenue.

Net Position (Deficit)

Net position is the difference between the university's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources. These resources are classified for accounting and reporting purposes into four categories as follows:

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

Restricted net position – nonexpendable consists 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 position – 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 position (deficit) represents 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, net patient service revenue, 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 position is 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.

Net patient services revenues are generated from patient care services and include the university's behavioral healthcare, cancer and contract activities and the operations of faculty practice plans. Net patient service revenues are recorded in the period in which the services are provided and are reported at estimated net realizable amounts from patients, third party payors and others. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third faculty practice 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.

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 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 statement of revenues, expenses, and changes in net position 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, (3) most federal, state and municipal and other nongovernmental grants and contracts, and (4) net patient services. 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 $74.9 million during the year ended June 30, 2015 from the Federal Pell Grant program, and $92.7 million during the year ended June 30, 2015 from Tuition Aid Grants, from the State of New Jersey, 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, 2015, the university disbursed $409.6 million under the Federal Direct Student Loan Program. Direct student loans receivable are not included in the university's statement of net position 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 principles 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.

Accounting Pronouncements Applicable to the System, Issued but Not Yet Effective

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 will be effective for periods beginning after June 15, 2015. The university is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 will be effective for periods beginning after June 15, 2015. The university is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. The university is evaluating the impact of this new statement.

NOTE 2 – Adoption of Accounting Pronouncements

The university adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) in fiscal year 2015. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In accordance with the provisions of GASB 68, the university has reported its proportionate share of PERS and PFRS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

The university also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The provisions of GASB 68 and 71 have been applied to the beginning of the 2015 fiscal year net position. As a result of the implementation of GASB 68 and 71, beginning unrestricted net position as of July 1, 2014, was decreased by $1,280.5 million. The following is a reconciliation of the total net position as previously reported at June 30, 2014 to the total restated net position (in thousands) as of July 1, 2014:

	Amount
Total net position as previously reported as of June 30, 2014	$3,068,354
Restatement to beginning of year net position as of July 1, 2014	(1,280,498)
Total net position as of July 1, 2014 (restated)	$1,787,856

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The university's net cash and cash equivalents balance at June 30, 2015 includes a cash book balance of $172.0 million. The actual amount of cash on deposit in the university's bank accounts at June 30, 2015 was $174.2 million. Of this amount, $2.3 million was insured by the Federal Deposit Insurance Corporation at June 30, 2015. At June 30, 2015, $171.9 million was collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, and no cash was uninsured and uncollateralized at June 30, 2015.

The university's cash and cash equivalents are carried in the financial statements at fair value and consist of the following at June 30, 2015 (dollars in thousands):

	2015
Money Market Funds	$329,515
Repurchase Agreements	31,948
Cash and Deposits	344,422
Total Cash and Cash Equivalents	$705,885

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. In 2015, the university's annual spending policy is to spend an amount not to exceed 4.2750% of a trailing 13-quarter average of the Long-Term Investment Pool's market values. 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 statement of net position.

The university's investments are carried in the financial statements at fair value and consist of the following at June 30, 2015 (dollars in thousands):

	2015
Commercial Paper	$114,696
U.S. Government Treasury Securities	27,406
U.S. Government Agency Securities	144,283
Commodities	11,792
U.S. Corporate Equities	400,082
Foreign Corporate Equities	18,793
Mutual Funds	675,175
Real Estate	44,840
Corporate Bonds	2,858
Bonds – Other Holdings	35,452
Other Investments	4,546
Total Investments	$1,479,923

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, 2015 (dollars in thousands):

	2015				
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Commercial Paper	$114,696	$114,696	$ –	$ –	$ –
U.S. Government Treasury Securities	27,406	24,950	–	1,055	1,401
U.S. Government Agency Securities	144,283	110,319	33,931	33	–
Corporate Bonds	2,858	145	546	1,544	623
Bonds – Other Holdings	35,452	35,452	–	–	–
Money Market Funds	329,515	329,515	–	–	–
Repurchase Agreements	31,948	31,948	–	–	–
Total	686,158	$647,025	$34,477	$2,632	$2,024
U.S. Corporate Equities	400,082				
Foreign Corporate Equities	18,793				
Mutual Funds	675,175				
Commodities	11,792				
Real Estate	44,840				
Other Investments	4,546				
Total	$1,841,386				

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, 2015, 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	2015
Commercial Paper	A-1+	$78,512
Commercial Paper	A-1	36,184
U.S. Government Treasury and Agency Securities	AA+	171,689
Corporate Bonds	AAA	546
Corporate Bonds	AA	64
Corporate Bonds	AA–	623
Corporate Bonds	A+	551
Corporate Bonds	A–	993
Corporate Bonds	BBB	81
Bonds – Other Holdings	N/R	35,452
Money Market Funds	AAA	329,515
Repurchase Agreements	N/R	31,948
Total		$686,158

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 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, 2015, the university had $913.7 million of investments that were uninsured and unregistered and not held by the outside party in the university's name.

Investment Type	2015
U.S. Corporate Equities	$306,738
Foreign Corporate Equities	1,920
Mutual Funds	512,927
Bonds – Other Holdings	35,452
Commodities	11,792
Real Estate	44,840
Total	$913,669

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, 2015, the fair value of the Long-Term Investment Pool was $879.4. In addition, the aggregate endowment market value of funds separately invested was $36.8 million at June 30, 2015. The investment appreciation was $161.3 million at June 30, 2015. These amounts are included in restricted nonexpendable, restricted expendable and unrestricted net position.

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 $299.3 million to 62 non-marketable alternative asset partnerships, hedge funds and real estate funds at June 30, 2015. As of June 30, 2015, the university has $202.6 million of paid-in capital to these alternative assets and $101.9 million in unfunded commitments.

NOTE 4 – ACCOUNTS RECEIVABLE 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, 2015 (dollars in thousands):

	Accounts Receivable	Allowance	Net 2015
Government Grants and Other Sponsored Programs Receivable	$130,879	$1,714	$129,165
Plant Receivable	88,069	–	88,069
Student Notes Receivable	75,596	6,089	69,507
Patient Accounts Receivable	59,912	12,574	47,338
Federal and State Governments Receivable	40,297	–	40,297
Student Accounts Receivable	29,412	8,211	21,201
Affiliate Receivable	84,250	6,063	78,187
Other Receivable	39,826	1,397	38,429
Total	$548,241	$36,048	$512,193

The allowances for doubtful accounts and notes are based upon management's best estimate of uncollectible accounts and notes at June 30, 2015, considering type, age, collection history and other appropriate factors.

NOTE 5 – NET PATIENT SERVICE REVENUES

Net patient service revenues include revenues related to patient care services, which are generated within RBHS behavioral, cancer, and contract activities and the operations of faculty practice plans. In 2015, net revenues generated from faculty practice plans totaled $233.7 million, while revenues from a contract with the State of New Jersey Department of Corrections totaled $145.9 million, and revenues from other professional contracts and agreements totaled $80.0 million.

University Behavioral Health Care (UBHC) provides 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. UBHC and other 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. Patient care revenues from these units totaled $58.4 million in 2015.

Net patient service revenues are comprised of the following at June 30, 2015 (dollars in thousands):

	2015
Gross Charges	$820,281
Deductions from Gross Charges	
Contractual and Other Allowances	(271,400)
Provision for Bad Debts	(30,862)
Net Patient Service Revenues	$518,019

NOTE 6 – CAPITAL ASSETS

The detail of capital assets activity for the year ended June 30, 2015 is as follows (dollars in thousands):

	July 1, 2014	Additions	Retirements/ Capitalization	June 30, 2015
Capital Assets Not Being Depreciated:				
Land	$74,088	$3,135	$ –	$77,223
Capitalized Art Collections	59,795	565	–	60,360
Construction in Progress	222,478	260,806	112,432	370,852
Total	356,361	264,506	112,432	508,435
Capital Assets Being Depreciated:				
Land Improvements	321,423	10,213	–	331,636
Buildings	3,935,639	122,954	139	4,058,454
Equipment	876,268	54,209	12,504	917,973
Total	5,133,330	187,376	12,643	5,308,063
Less Accumulated Depreciation:				
Land Improvements	242,516	13,030	–	255,546
Buildings	1,499,076	94,737	105	1,593,708
Equipment	696,924	44,758	9,579	732,103
Total	2,438,516	152,525	9,684	2,581,357
Net Capital Assets Being Depreciated	2,694,814	34,851	2,959	2,726,706
Total Capital Assets, net	$3,051,175	$299,357	$115,391	$3,235,141

During 2015, the university capitalized interest expense of $13.9 million in construction in progress in the accompanying statement of net position.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2015 (dollars in thousands):

	2015
Vendors	$130,560
Accrued Salaries and Benefits	101,203
Compensated Absences	89,169
Workers Compensation	35,653
Interest Payable	10,155
Retainage	8,989
Other Accrued Expenses	23,366
Total Accounts Payable and Accrued Expenses	$399,095

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2015 is as follows (dollars in thousands):

	July 1, 2014	Additions	Reductions	June 30, 2015	Current Portion
Accounts Payable and Accrued Expenses	$393,872	$35,669	$30,446	$399,095	$354,505
Net Pension Liabilities	1,292,754	79,778	17,876	1,354,656	–
Unearned Revenue	276,348	657	14,393	262,612	92,912
Long-Term Liabilities	2,138,182	–	129,207	2,008,975	59,882
Total Noncurrent Liabilities	$4,101,156	$116,104	$191,992	$4,025,338	$507,299

At July 1, 2014, net pension liabilities were restated due to GASB 68.

NOTE 9 – 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 10, 2018, 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 2015, the university issued $30.7 million of General Obligation Commercial Paper Series A to refund in whole General Obligation Bonds 2003 Series D and Certificates of Participation Series 2004. The difference between the reacquisition price and the net carrying amount of the old debt of $0.4 million is being deferred and amortized as a reduction to interest expense through the year 2038 using the effective interest method. In 2015, $4 thousand has been amortized leaving $0.4 million as part of deferred outflows of resources.

In addition, using proceeds from the issuance of General Obligation Bonds, 2013 Series L, the university redeemed $11.3 million of General Obligation Commercial Paper Series C. Furthermore, using university funds, the university redeemed $2.1 million of General Obligation Commercial Paper Series C.

Commercial Paper activity as of June 30, 2015 is as follows (dollars in thousands):

	July 1, 2014	Additions	Retirements	June 30, 2015
Series A	$ –	$30,713	$ –	$30,713
Series C	48,475	–	13,355	35,120
	$48,475	$30,713	$13,355	$65,833

NOTE 10 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 is as follows (dollars in thousands):

	July 1, 2014	Additions	Retirements	June 30, 2015	Current Portion
General Obligation Bonds Payable	$1,625,787	$ –	$50,175	$1,575,612	$45,475
Lease Obligations	471,176	–	39,468	431,708	13,915
Notes Payable	2,276	–	621	1,655	492
Loans Payable	38,943	–	38,943	–	–
Total Long-Term Liabilities	$2,138,182	$ –	$129,207	$2,008,975	$59,882

OTHER OBLIGATIONS OF THE UNIVERSITY

Notes Payable

Notes payable at June 30, 2015 consist of an unsecured note payable to the U.S. Department of Education with interest at 5.5%, final installment due January 1, 2021.

In December 2004, the university entered into an enhanced Affiliation agreement with Robert Wood Johnson University Hospital (RWJUH), which provides for working capital requirements for Robert Wood Johnson Medical School (RWJMS) through a promissory note. The promissory note is a credit line of $10.0 million and can be drawn down for a period of five years. During 2006, the agreement was amended cancelling 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, 2015, $4.0 million was drawn on the promissory note and principal payments were made in the amount of $3.7 million.

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, 2015, the outstanding amount due on the loans was $0.3 million.

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.

Loans Payable

On May 30, 2007, One Washington Park Holdings, LLC (a university controlled Qualified Active Low-Income Community Business – QALICB) entered into two loan and security agreements with subsidiaries of 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 17). 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 were due to NJCC CDE I LLC and NJCC CDE II LLC on December 1, 2014.

On December 1, 2014, as part of the liquidation of the entire New Markets Tax Credit structure, through a series of Distribution Agreements and Assignment Agreements, One Washington Park Holdings, LLC acquired the membership interests and assets of NJCC CDE I LLC and NJCC CDE II LLC, including the loans. As both lender and borrower, the loans were forgiven and these loans are no longer outstanding as of June 30, 2015.

Gateway Transit Village Property

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, and the common areas (the Rutgers Component). The university began rent payments on October 1, 2012, in the amount of $0.4 million and will continue to make quarterly payments due and payable on the first business day of each quarter during the term of the lease. For lease years 1 – 7, annual lease payments amounts will be $1.4 million, and for lease years 8 – 30, annual lease payment amounts will be $1.7 million.

On December 23, 2010, the university entered into a loan arrangement for $16.1 million with Somerset Street Associates 2, LLC (SSA2) for the purpose of completing the Gateway Transit Village Property. The university began receiving interest only payments on October 1, 2012, in the amount of $0.4 million and will continue to receive such payments in quarterly installments on the first business day of each calendar quarter through January 1, 2018. Beginning April 1, 2018, SSA2 shall make quarterly payments of principal and interest in an amount sufficient to fully repay the sum of the principal amount then outstanding. Rutgers has the option to purchase all of the right, title and interest of the property in exchange of forgiving the loan to SSA2.

Bonds Payable – General Obligation

A summary of bonds issued and outstanding at June 30, 2015 is as follows (dollars in thousands):

	Date of Series	Original Amount	Outstanding June 30, 2015
General Obligation Refunding Bonds:			
2002 Series A, variable-rate, due serially to May 1, 2018	Feb. 1, 2002	$110,000	$33,000
2010 Series I, 3.46% effective, due serially to May 1, 2025 and term bonds due May 1, 2029	Nov. 1, 2010	40,830	30,875
2013 Series J, 3.78% effective, due serially to May 1, 2033 and term bonds due May 1, 2036	July 1, 2013	340,925	328,840
2013 Series K, 4.06% effective, due serially to May 1, 2023 and term bonds due May 1, 2033	July 1, 2013	134,100	122,370
Total General Obligation Refunding Bonds		625,855	515,085
General Obligation Bonds:			
2003 Series D, 3.74% effective, due serially to May 1, 2019	Dec. 1, 2003	24,805	–
2009 Series F, 4.56% effective, due serially to May 1, 2031 and term bonds due May 1, 2039	Feb.10, 2009	233,105	194,735
2009 Series G, variable-rate, due serially to May 1, 2039	Apr. 29, 2009	80,000	70,490
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
2013 Series L, 4.44% effective, due serially to May 1, 2033 and term bonds due May 1, 2038 and 2043	July 1, 2013	352,065	339,195
Total General Obligation Bonds		1,080,965	995,410
Total Bonds		$1,706,820	$1,510,495

The General Obligation Bonds (GOB) Payable includes premium on bonds of $65.1 million at June 30, 2015 related to Series 2009 F, Series 2010 I, Series 2013 J, and Series 2013 L.

General Obligation and General Obligation Refunding Bonds

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 (predecessor 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 in 2018. As of June 30, 2015, no funds have been drawn against this agreement.

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 were 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. During fiscal year 2015, the university issued $5.5 million of General Obligation Commercial Paper Series A to refund in whole the General Obligation Bonds 2003 Series D Bonds.

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 April 30, 2015, expiring in 2018. The agreement carries an annual facility fee of 0.4% at the university's current bond rating. As of June 30, 2015, no funds have been drawn against this agreement.

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 General Obligation Refunding Bonds, 2013 Series J, the General Obligation Refunding Bonds 2013 Series K and 2013 Series L (collectively the 2013 Series Bonds), were issued in the amount of $340.9 million, $134.1 million, and $352.1 million, respectively, on July 1, 2013. The bonds are secured under the provisions of an Indenture of Trust, dated 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, 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, were issued in furtherance of the New Jersey Medical and Health Sciences Education 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 UMDNJ, was transferred to the university effective July 1, 2013, and all debt issued by UMDNJ allocable to such schools, institutes and centers, were transferred to the university. A portion of the proceeds of the 2013 Series J Bonds and 2013 Series K Bonds were to 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, applicable to the university, were consented to and approved by the Board of Governors and the Board of Trustees of the university by resolutions adopted on November 19, 2012. The 2013 Series Bonds were 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 (the 2013 Capital Projects), and (iii) finance costs of issuance with respect to the 2013 Capital Projects. The bonds which were refunded in whole included UMDNJ certificates of Participation 1997 Series A ($12.2 million), UMDNJ Certificates of Participation 1997 Series B ($3.1 million), NJEDA Lease Revenue Bonds Series 2000 ($38.3 million), UMDNJ Bonds 2002 Series A ($94.5 million), UMDNJ Certificates of Participation Series 2003 ($49.2 million), UMDNJ Certificates of Participation Series 2004 ($75.3 million), NJEFA Revenue Refunding Bonds Series 2009B ($214.9 million), General Obligation Bonds 2002 Series B ($24.1 million), General Obligation Refunding Bonds 2003 Series C ($26.4 million), and General Obligation Bonds 2004 Series E ($79.3 million).

As part of the refunding, the university reduced its total debt service over the next 23 years by $106.7 million and obtained an economic gain (difference between the present values of the old and new debt service payments less escrow funds used) of $38.0 million. The difference between the acquisition price and the net carrying amount of the old debt of $76.6 million is being deferred and amortized as interest expense through the year 2036 using the effective interest method. In 2015, $3.8 million has been expensed leaving $69.0 million as part of deferred outflows of resources. Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on NJEFA Revenue Refunding Bonds Series 2009B. Accordingly, these bonds are legally outstanding obligations of the university as of June 30, 2015, however are defeased for financial reporting; therefore, they are not reflected in the accompanying financial statements. The principal amounts of these bonds were $198.5 million as of June 30, 2015.

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 0.11% during fiscal year 2015. For 2009 Series G, the rates varied from a low of 0.01% to a high of 0.15% during fiscal year 2015. With the intention of fixing 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 11** 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 year 2015:

	Terms	2015
Interest rate swap		
Fixed payment to counterparty	Fixed	3.96%
Variable payment from counterparty	SIFMA	–0.08%
Net interest rate swap payments		3.88%
Variable rate bond coupon payments		0.01%
Synthetic interest rate		3.89%

The following is the synthetic rate, related to the 2009 Series G Bonds, at the end of fiscal year 2015:

	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	–0.28%	SIFMA	–0.08%
Net interest rate swap payments		3.80%		3.74%
Variable rate bond coupon payments		0.02%		0.02%
Synthetic interest rate		3.82%		3.76%

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 Bonds		Interest Rate	
Year	Principal	Interest	Principal	Interest	Swaps, Net	Total
2016	$29,585	$69,520	$12,410	$17	$3,951	$115,483
2017	23,405	68,472	12,880	16	3,471	108,244
2018	24,535	67,581	13,350	15	2,973	108,454
2019	41,900	66,628	2,030	13	2,457	113,028
2020	38,850	64,860	2,110	13	2,380	108,213
2021-2025	214,500	296,554	11,870	58	11,041	534,023
2026-2030	281,675	237,969	14,410	45	8,507	542,606
2031-2035	294,450	162,151	17,595	29	5,467	479,692
2036-2040	262,190	93,209	16,835	–	–	372,234
2041-2045	195,915	19,910	–	–	–	215,825
Total	$1,407,005	$1,146,854	$103,490	$206	$40,247	$2,697,802

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

CAPITALIZED LEASE OBLIGATIONS

Facilities Authority:

- **Capital Improvement Fund (CIF)**

Under the provisions of the State of New Jersey Higher Education Capital Improvement Fund Act (CIF Act of 1999), the university has been allocated funds to finance deferred maintenance and other capital improvements within the university. The funds are provided through bonds issued by the New Jersey Educational Facilities Authority. The university is obligated to pay amounts equal to one-third of the amount necessary to pay the principal of and interest on the portion of the bonds. In July 2000, the Facilities Authority issued Series 2000A bonds, the university's portion of which amounted to $95.0 million. The bonds bear interest at rates ranging from 5.0% to 5.75%. In December 2000, the Facilities Authority issued Series 2000B bonds, the university's portion of which amounted to $75.0 million. The bonds bear interest at rates ranging from 4.2% to 5.75%. In November 2002, the Facilities Authority issued Series 2002A bonds, the university's portion of which amounted to $94.0 million. The bonds bear interest at rates ranging from 3.0% to 5.25% and mature on August 15, 2022. These bonds were partially advance refunded in 2005 and 2006. The refunded bonds, Series 2005A and Series 2006A, mature on August 15, 2019 and August 15, 2022, respectively. In April 2014, the Facilities Authority issued Series 2014A-D bonds, the university's portion of which amounted to $97.3 million. The bonds bear an effective interest rate of 3.47% and mature on August 15, 2033. At June 30, 2015, the university had capital lease obligations of $0.3 million, $21.8 million, $21.1 million, and $30.2 million for Series 2002A, Series 2005A, Series 2006A, and Series 2014A, respectively.

- **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, 2015, the university had a capital lease obligation of $2.1 million.

- **Equipment Leasing Fund (ELF)**

Under the provisions of the State of New Jersey Higher Education Equipment Leasing Fund Act (the ELF Act of 1993), the university has been allocated $43.8 million to finance the purchase of any property consisting of, or relating to, scientific, engineering, technical, computer, communications, and instructional equipment for lease. The bonds were issued by the New Jersey Educational Facilities Authority on January 30, 2014 and bear an effective interest rate of 1.89% and mature on June 1, 2023. The university is obligated to make annual lease payments equal to 25% of the amount necessary to pay the principal and interest on the portion of the bonds. Title to all equipment purchased under this lease agreement will be transferred to the university at the conclusion of the lease. At June 30, 2015, the university has a capital lease obligation of $8.4 million.

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, 2015, this liability was $17.5 million. 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, 2015, the estimated present value of the Hospital sublease over the full lease term, including renewal periods, amounted to $3.1 million. 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 were 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 provided 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. During fiscal year 2015, the university issued $25.2 million of General Obligation Commercial Paper Series A to refund in whole the Certificates of Participation, Series 2004.

Economic Development Authority:

- **College Avenue Redevelopment Project**

On September 12, 2013, the New Jersey Economic Development Authority (the Authority) offered $237.1 million of its General Obligation Lease Revenue Bonds, Series 2013. The bonds bear an effective interest rate of 4.927% and mature on June 15, 2046. The proceeds of the bonds will be loaned by the Authority to College Avenue Redevelopment Associates, LLC (the Company), whose sole and managing member is the New Brunswick Development Corporation (DEVCO), pursuant to a Loan Agreement dated September 1, 2013 to finance the educational facilities project being undertaken and constructed by the Company on behalf of the university. The Company is leasing the entire Property to the university pursuant to the Master Lease Agreement dated September 1, 2013. The Fixed-Rent payable by the university to the Company shall be sufficient to pay all interest and principal. The project generally entails the redevelopment and construction of (i) an approximately 175,900 square foot academic building for the Rutgers University School of Arts and Sciences (the Academic Building), consisting of approximately 2,500 seats of classroom space in the form of modern lecture halls ranging from 80 to 300 seats as well as departmental office space, and associated landscaped areas (the SAS improvements), (ii) a separate building consisting of an approximately 500-bed residence hall for honors students, including programming space, office space, common area space and other amenities to enhance undergraduate honors research work, and associated landscaped areas (the Honors College Improvements), (iii) an approximately 500-bed apartment-style residence building comprised of mainly apartments with four single-occupant bedrooms for Rutgers students as well as common area spaces, approximately 13,000 square feet of retail space, and a public plaza with new outdoor connections between the new and existing buildings on the Rutgers College Avenue Campus (the University Housing Improvements), and (iv) an approximately 300-space Rutgers multistory parking structure and surface lot (the University Parking Improvements), and together with the Academic Building, the SAS Improvements, the Honors College Improvements, and the University Housing Improvements, all necessary site and infrastructure improvements. At June 30, 2015, the university has a capital lease obligation of $237.1 million.

- **15 Washington Street**

On May 30, 2014, the New Jersey Economic Development Authority (the Authority) issued $58.3 million of its Revenue Notes, Series 2014. The notes bear an effective interest rate of 3.23% and mature on July 1, 2031. The proceeds of the notes will be loaned by the Authority to Washington Street University Housing Associates, LLC (the Landlord), whose sole and managing member is the New Brunswick Development Corporation (DEVCO), pursuant to a Loan Agreement dated May 30, 2014 to finance the renovation of the Residential Estate to provide housing for graduate and undergraduate students, including a total of approximately 335 beds in a variety of unit types including, double and single occupancy bedroom configurations, kitchen, living areas, and bathrooms (together with all necessary and appropriate site improvements and infrastructure). The Landlord is leasing the Property to the university pursuant to the Master Lease Agreement dated May 30, 2014. The Fixed-Rent payment by the university to the Company shall be sufficient to pay all interest and principal. At June 30, 2015, the university had a capital lease obligation of $58.3 million.

- **Ambulatory Care Center**

On July 2, 2013, the university (subtenant) entered into a sublease agreement with University Hospital (sublandlord) to sublease the Ambulatory Care Center located at 140 Bergen Street, Newark, New Jersey. The sublease expiration date is May 31, 2089 and the base rent is $0.8 million per year. As of June 30, 2015, using a discount rate of 4.16%, the present value of the sublease was $17.6 million.

- **New Jersey Medical School – Hospital Building**

On July 1, 2013, the university (subtenant) entered into a sublease agreement with University Hospital (sublandlord) to sublease a portion of the Hospital Building located at 150 Bergen Street, Newark, New Jersey. The sublease expiration date is May 31, 2089 and the base rent is $0.7 million per year. As of June 30, 2015, using a discount rate of 4.16%, the present value of the sublease was $14.9 million.

Future lease payments (receipts) applicable to the aforementioned capital leases at June 30, 2015 are as follows (dollars in thousands):

	Educational Facilities Authority						
Year	**CIF (2002A)**	**CIF (2005A)**	**CIF (2006A)**	**CIF (2014A)**	**DSTF (2001A)**	**DSTF (2001B)**	**ELF (2014)**
2016	$13	$5,520	$1,019	$2,358	$2,040	$32	$1,939
2017	12	5,522	1,028	2,358	–	–	1,941
2018	13	5,521	1,027	2,358	–	–	1,940
2019	12	3,908	2,640	2,358	–	–	1,941
2020	13	3,913	2,635	2,358	–	–	508
2021-2025	295	–	18,388	11,793	–	–	1,524
2026-2030	–	–	–	11,791	–	–	–
2031-2035	–	–	–	9,658	–	–	–
2036-2040	–	–	–	–	–	–	–
2041-2045	–	–	–	–	–	–	–
2046-2050	–	–	–	–	–	–	–
2051-2055	–	–	–	–	–	–	–
2056-2060	–	–	–	–	–	–	–
2061-2065	–	–	–	–	–	–	–
2066-2070	–	–	–	–	–	–	–
2071-2075	–	–	–	–	–	–	–
2076-2080	–	–	–	–	–	–	–
2081-2085	–	–	–	–	–	–	–
2086-2089	–	–	–	–	–	–	–
Total Lease Payments	358	24,384	26,737	45,032	2,040	32	9,793
Less Amount Representing Interest	94	2,594	5,612	14,853	–	–	1,431
Present Value of Lease Payment	$264	$21,790	$21,125	$30,179	$2,040	$32	$8,362

			Economic Development Authority		University Hospital		
Year	Housing Authority	Hospital Sublease	College Ave Project	15 Washington St	ACC 140 Bergen St	NJMS 150 Bergen St	TOTAL
2016	$4,052	($718)	$11,817	$3,593	$800	$680	$33,145
2017	4,048	(718)	15,432	4,267	801	680	35,371
2018	4,052	(719)	15,402	4,269	800	679	35,342
2019	4,051	(719)	15,425	4,272	801	680	35,369
2020	4,048	(719)	15,409	4,267	800	680	33,912
2021-2025	–	–	77,105	21,357	4,002	3,399	137,863
2026-2030	–	–	77,080	10,990	4,002	3,400	107,263
2031-2035	–	–	77,089	10,969	4,001	3,400	105,117
2036-2040	–	–	77,096	10,961	4,002	3,399	95,458
2041-2045	–	–	77,089	8,220	4,002	3,399	92,710
2046-2050	–	–	15,430	–	4,001	3,400	22,831
2051-2055	–	–	–	–	4,002	3,399	7,401
2056-2060	–	–	–	–	4,002	3,399	7,401
2061-2065	–	–	–	–	4,002	3,399	7,401
2066-2070	–	–	–	–	4,002	3,400	7,402
2071-2075	–	–	–	–	4,002	3,399	7,401
2076-2080	–	–	–	–	4,002	3,399	7,401
2081-2085	–	–	–	–	4,002	3,399	7,401
2086-2089	–	–	–	–	3,202	2,719	5,921
Total Lease Payments	20,251	(3,593)	474,374	83,165	59,228	50,309	792,110
Less Amount Representing Interest	2,716	(502)	237,319	24,835	41,662	35,388	366,002
Present Value of Lease Payment	$17,535	($3,091)	$237,055	$58,330	$17,566	$14,921	$426,108

The capital lease obligation payable includes premium on capital leases of $5.0 million at June 30, 2015 related to the College Avenue Redevelopment Project.

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, 2015:

	2015
Cost	$7,022
Accumulated Depreciation	(5,075)
Net Book Value	$1,947

The payments of these agreements include a charge for interest at various rates depending on each agreement. At June 30, 2015, the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is approximately $0.6 million. The annual rentals for these capitalized lease obligations are provided for in the university's operating budget.

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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 year ended June 30, 2015, the university had the following derivative instruments outstanding (dollars in thousands):

Counterparty	Type	Objective	Notional Amount	Effective Date	Termination Date	Terms	2015 Fair Value	Change in Fair Value from 2014
JP Morgan & Co.	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2002 Series A	$33,200	2/4/2002	5/1/2018	Pay 3.96%; receive SIFMA swap index	($2,129)	$1,296
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)	(20,511)	(6,862)
Bank of New York	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Bond (GOB) 2009 Series G	14,905	5/1/2007	5/1/2027	Pay 3.82%; receive SIFMA swap index	(1,948)	38
Bank of New York	Pay-fixed interest rate swap	Hedge of changes in cash flows on the General Obligation Commercial Paper (GOCP) Series A	13,500	3/1/2012	11/1/2017	Pay 5.13%; receive 100% USD-LIBOR-BBA (1 mo)	(1,329)	494
Total			$161,605				($25,917)	($5,034)

Fair Value:
As of June 30, 2015, the swaps had a total negative fair value of $25.9 million. 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 of resources (since the swaps are in a liability position) in the statement of net position.

Credit Risk:
As of June 30, 2015, the university was not exposed to credit risk with JP Morgan, Bank of New York and Merrill Lynch because all of the swaps had negative fair values. The credit ratings for each of the counterparties are as follows:

Derivative Instrument	2015 Counterparty Credit Rating
JP Morgan & Co.	A+
Merrill Lynch	A+
Bank of New York - SIFMA	AA–
Bank of New York - LIBOR	AA–

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	Merrill Lynch/ Bank of NY Collateral Threshold	JP Morgan Collateral Threshold
AAA/Aaa	Infinite	$30.0 million
Aa3/AA–	Infinite	$25.0 million
A1/A+	$20.0 million	Zero
A2/A	$10.0 million	Zero
A3/A–	$10.0 million	Zero
Baa1/BBB+	$5.0 million	Zero
Baa2/BBB	$5.0 million	Zero
Baa3/BBB–	Zero	Zero
Below Baa3/BBB– or not rated	Zero	Zero

In the table above, neither Merrill Lynch nor Bank of NY is 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 Merrill Lynch or Bank of NY 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, $0 for the JP Morgan Counterparty. 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 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 12 – COMMITMENTS

At June 30, 2015, 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 $783.3 million. Anticipated sources of funding for these projects are summarized as follows (dollars in thousands):

	Total Project Funding		
	Received at June 30, 2015	**Additional Funding Required at June 30, 2015**	**Estimated Total Cost**
Borrowing	$345,138	$ –	$345,138
State	209,699	119,757	329,456
Gifts and Other Sources	84,308	24,354	108,662
Total	$639,145	$144,111	$783,256

The university leases certain space used in general operations. Rental expense was approximately $13.4 million in 2015. The leases are non-cancelable and have been classified as operating leases which are expected to expire through 2043. Minimum annual rental commitments approximate the following (dollars in thousands):

Year	Amount
2016	$12,768
2017	9,305
2018	7,824
2019	6,519
2020	5,225
2021-2025	17,644
2026-2020	5,895
2031-2035	664
2036-2030	664
2041-2045	664
Total	$67,172

NOTE 13 – NATURAL EXPENSES BY FUNCTIONAL CLASSIFICATION

The university reports operating expenses by functional classification. Details of these expenses by natural classification at June 30, 2015 are as follows (dollars in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarships & Fellowships	Depreciation	2015 Total
Instruction	$574,345	$200,079	$104,994	$13,929	$ –	$893,347
Sponsored Research	141,231	44,543	169,942	53	–	355,769
Other Separately Budgeted Research	51,066	16,694	29,521	1,050	–	98,331
Other Sponsored Programs	101,931	48,018	56,320	510	–	206,779
Extension and Public Service	27,771	9,452	12,532	640	–	50,395
Academic Support	70,847	11,489	32,466	541	–	115,343
Student Services	47,745	16,272	22,358	6,675	–	93,050
Operation and Maintenance of Plant	80,928	31,394	91,974	985	–	205,281
General Administration and Institutional	139,508	46,918	55,278	1,904	–	243,608
Scholarships and Fellowships	4,706	321	25,214	23,960	–	54,201
Depreciation	–	–	–	–	152,525	152,525
Patient Care Services	424,107	120,717	108,622	–	–	653,446
Auxiliary Enterprises	111,164	36,533	128,548	12,624	–	288,869
Other Operating Expenses	–	–	784	–	–	784
Total Operating Expenses	$1,775,349	$582,430	$838,553	$62,871	$152,525	$3,411,728

NOTE 14 - EMPLOYEE BENEFITS

Retirement Plans

The university has primarily three retirement plans available to its employees, the State of New Jersey Public Employees Retirement System, and State of New Jersey Police and Firemen's Retirement System, defined benefit plans, and the Alternate Benefit Program, a defined contribution plan. Under these plans, participants make annual contributions, and the State of New Jersey, makes employer contributions on behalf of the university for these plans. 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 statement of revenues, expenses, and changes in net position. Summary information regarding these plans is provided below.

Public Employees Retirement System (PERS)

Plan Description — The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits — The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions — Covered university employees were required by PERS to contribute 6.92% of their annual compensation during fiscal year 2015. The PERS contribution rate will increase by 0.14% each year until the 7.5% contribution rate is reached by July 1, 2018. 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 pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. A contribution on behalf of the university is included within the State's contribution. 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.

The State issues publicly available financial reports that include financial statements and required supplementary information for PERS. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Police and Firemen's Retirement System (PFRS)

Plan Description — The State of New Jersey Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits — The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions — The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. A contribution on behalf of the university is included within the State's contribution. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011.

Net Pension Liability, Deferred Amounts Related to Pensions and Pension Expense

The university's respective net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense related to PERS and PFRS are calculated by the State of New Jersey Division of Pension and Benefits. At June 30, 2015, the university reported a liability of $1,292.2 million and $62.4 million for PERS and PFRS, respectively, for its proportionate share of the respective PERS and PFRS net pension liabilities. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to the measurement date of June 30, 2014 for both PERS and PFRS. The university's proportionate share of the respective net pension liabilities for the fiscal year was based on actual contributions to PERS and PFRS on behalf of the university relative to the total contributions of participating state-group employers for each plan for fiscal 2014, which was 6.4% and 1.8% for PERS and PFRS, respectively. The university's proportionate share of the respective net pension liabilities for the plan as a whole was 3.3% and 0.4% for PERS and PFRS, respectively.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and PFRS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of Ju1y 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	PERS	PFRS
Inflation Rate	3.01%	3.01%
Salary Increases: 2012-2021	2.15-4.40% based on age	3.95-8.62% based on age
Thereafter	3.15-5.40% based on age	4.95-9.62% based on age
Investment rate of return	7.90%	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 for PERS and 2011 for PFRS based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011 for PERS and July 1, 2007 to June 30, 2010 for PFRS.

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate – The discount rate used to measure the total pension liability for PERS was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. The discount rate used to measure the total pension liability for PFRS was 6.32% and 6.45% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that the contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS and 2045 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033 for PERS and 2045 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate — The following presents the collective net pension liability of the university, measured as of June 30, 2014, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS (4.39%, 5.39%, 6.39%, respectively)	$1,526,266	$1,292,223	$1,095,943
PFRS (5.32%, 6.32%, 7.32%, respectively)	75,479	62,433	51,690
Total	$1,601,745	$1,354,656	$1,147,633

Deferred Outflows of Resources and Deferred Inflows of Resources — The following presents a summary of the deferred outflows of resources and deferred inflows of resources reported at June 30, 2015 (dollars in thousands):

	PERS	PFRS	Total
Deferred Outflows of Resources			
Changes of Assumptions	$28,498	$ –	$28,498
Changes in Proportionate Share	31,441	1,269	32,710
Contributions Subsequent to Measurement Date	10,080	2,557	12,637
Total	$70,019	$3,826	$73,845
Deferred Inflows of Resources			
Changes in Proportionate Share	$21,989	$4,909	$26,898
Difference Between Projected and Actual Earnings on Pension Plan Investments	39,219	1,543	40,762
Total	$61,208	$6,452	$67,660

Included in deferred outflows of resources related to pensions is $12.6 million from contributions made on behalf of the university subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Years Ending June 30	PERS	PFRS	Total
2016	($2,829)	($1,090)	($3,919)
2017	(2,829)	(1,090)	(3,919)
2018	(2,829)	(1,090)	(3,919)
2019	(2,829)	(1,090)	(3,919)
2020	6,978	(704)	6,274
Thereafter	3,069	(119)	2,950
Total	($1,269)	($5,183)	($6,452)

Annual Pension Expense — The university's annual pension expense for PERS and PFRS for the year ended June 30, 2015 was approximately $76.7 million and $3.9 million, respectively.

Alternate Benefit Program (ABP)

Plan Description — ABP is an 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, 2015 was $1,018.8 million.

Faculty, part-time lecturers, professional and administrative staff, and certain other salaried employees are eligible to participate in ABP. Employer 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 seven investment carriers available under the plan for fiscal year 2015. 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, 2015 were $81.5 million. Employee contributions for the year ended June 30, 2015 were $61.4 million.

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 of $265,000.

Other Retirement Plans

The university has a small number of employees enrolled in two Federal retirement plans, the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). Both plans are defined benefit plans and cover the university's police 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 also 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 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.

NOTE 15 - 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 $68.8 million at June 30, 2015. The liability is calculated based upon employees' accrued vacation time as of the statement of net position date and is recorded in accounts payable and accrued expenses in the accompanying statement of net position.

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 $16.3 million at June 30, 2015 which is included in noncurrent accounts payable and accrued expenses in the accompanying statement of net position.

The university also recorded a liability for paid leave bank days in the amount of $4.0 million at June 30, 2015, which is included in noncurrent accounts payable and accrued expenses in the accompanying statement of net position. 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 16 - RISK MANAGEMENT

The university, jointly with 15 other higher education institutions, has established Genesis Ltd. (Genesis), 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 15.8% 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, 2015 for these items is $35.6 million. The reserve balance recorded at June 30, 2015 is $32.5 million. 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 participates in the State's Medical Malpractice Self-Insurance Fund (the Fund) which is used to pay malpractice claims and insurance premiums for the university. The contributions made during the current fiscal year by the university and its affiliate hospitals, UPA, Department of Corrections (DOC), and faculty practice plans are equal to the amount established in memoranda agreements between the Department of the Treasury and the university. If the contributions are insufficient to pay claims expenditures, the State's General Fund will be used to pay remaining claims.

Payment of claims from the Fund totaled $50.7 million in 2015. Contributions to the Fund from the State totaled $38.8 million in 2015, while contributions from RBHS affiliates, DOC, and faculty practice plans totaled $10.7 million in 2015.

The university has accrued expenses for deductibles and incurred but not reported liabilities in the statement of net position. 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 17 - 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.

In connections 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 of Medicine and Dentistry of New Jersey (UMDNJ) entered into a five year Corporate Integrity Agreement (CIA) with the Office of the Inspector General (OIG) 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 ensure regulatory and legal compliance with all Federal healthcare programs. Pursuant to a letter agreement between the university and the OIG, the university assumed UMDNJ's obligations under the CIA to the extent those obligations relate to the units of UMDNJ acquired by the university pursuant to the New Jersey Medical and Health Sciences Education Restructuring Act.

In March 2015, the university received confirmation from the Office of the Inspector General (OIG) of the United States Department of Health and Human Services that RBHS fulfilled its requirements under the Corporate Integrity Agreement (CIA) (September 2009 through September 2014), originally between the University of Medicine and Dentistry of New Jersey (UMDNJ) and the OIG and subsequently between RBHS and OIG pursuant to the integration of UMDNJ and Rutgers, The State University of New Jersey. With the expiration of the CIA, RBHS is released from its reporting requirements to the OIG but will continue to implement its robust healthcare compliance program developed over the last six years.

NOTE 18 – 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 was consolidated for faculty offices and classrooms. The building was converted into a condominium in which 11 floors of the building along with a 15,000 square foot addition located at grade level reconstituted as the Rutgers Business School space.

The overall project budget included 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 was $83.0 million. Funding for this project came 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 entered 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 ended as of December 1, 2014. When the transaction was completed, the university controls the property indirectly through its blended component units, Parkside RUN Investments, LLC and One Washington Park Holdings, LLC (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 19 - COMPONENT UNIT - RUTGERS UNIVERSITY FOUNDATION

Cash, Cash Equivalents, and Investments

The Foundation's cash and cash equivalents are carried in the financial statements at fair value and consist of the following as of June 30, 2015 (dollars in thousands):

	2015
Money Market Account	$1,753
Cash and Deposits	22,195
	$23,948

The Board of Overseers, through its Investment Committee, has authority over the investment of Foundation funds. Professional investment managers are engaged by the Foundation 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). In addition, the Planned Fiving Portfolio is subject to state mandated investment restrictions for annuities issued in the states of Florida and California.

Investments are carried in the financial statements at fair value, based on quoted market prices and consist of the following as of June 30, 2015 (dollars in thousands):

Investment Type	2015
U.S. Treasury Securities	$3,125
Corporate Bonds	7,899
Municipal Bonds	608
Mortgage-backed Securities	4,700
Asset-backed Securities	572
Preferred Stock	271
Common Stock	9,528
Foreign Corporate Debt Securities	344
Bank Loans	308
Real Estate	15
Equity REITS	473
Mutual Funds	507
Privately Held Securities	60
	$28,410

Custodial Credit Risk –The custodial credit risk associated with the Foundation's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by pledging financial institutions, or by its trust department or agent, but not in the Foundation's name. As of June 30, 2015, the amount on deposit with the banks was $22.1 million. As of June 30, 2015, the Foundation had insured deposits up to the Federal Deposit Insurance Corporation (FDIC) coverage limits totaling $0.3 million. Cash and cash equivalents in excess of those balances are uncollateralized.

As of June 30, 2015, 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.

Concentration of Credit Risk –The Foundation limits the concentration of credit risk by placing a limit on the amount the investment managers may invest in any one issuer. No initial purchase of an equity or fixed income security in any one issuer should exceed 5% of the portion of the Foundation's assets under management by each investment manager. In addition, no single equity security should be greater than 10% of the market value of the Foundation's assets under management. As of June 30, 2015, there are no investments in any one issuer greater than 5% of total investments.

Credit Risk – GASB Statement No. 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The Foundation's investment policy states that individual bonds shall be rated investment grade by at least two recognized or authorized rating agencies (Moody's and Standard & Poor's). 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 Standard & Poor's). 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 Standard & Poor's). The dollar-weighted average rating of the fixed income portfolio for each manager of marketable bonds shall be "A/A" or better.

As of June 30, 2015, the Foundation's investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	2015
US Treasury and Agency Securities	AA+	$3,125
Corporate Bonds	AAA	833
Corporate Bonds	AA	341
Corporate Bonds	A	1,861
Corporate Bonds	BBB	1,545
Corporate Bonds	BB	1,517
Corporate Bonds	B+	124
Corporate Bonds	B	1,402
Corporate Bonds	B–	48
Corporate Bonds	CCC	227
Corporate Bonds	C–	1
Municipal Bonds	AAA	89
Municipal Bonds	AA	49
Municipal Bonds	A	280
Municipal Bonds	BBB	189
Municipal Bonds	BB	1
Mortgage-backed Securities	AAA	9
Mortgage-backed Securities	AA+	4,612
Mortgage-backed-Securities	AA	20
Mortgage-backed-Securities	A	28
Mortgage-backed-Securities	BBB	21
Mortgage-backed-Securities	BB	6
Mortgage-backed Securities	B+	1
Mortgage-backed-Securities	B	2
Mortgage-backed Securities	B–	1
Asset-backed Securities	AAA	108
Asset-backed Securities	AA	24
Asset-backed Securities	A	209
Asset-backed Securities	BBB	223
Asset-backed Securities	BB	5
Asset-backed Securities	B	3
Foreign Debt Securities	AAA	5
Foreign Debt Securities	AA	1
Foreign Debt Securities	A+	335
Foreign Debt Securities	A	1
Foreign Debt Securities	BBB	1
Foreign Debt Securities	BB	1
Bank Loans	AAA	13
Bank Loans	AA	5
Bank Loans	A	3
Bank Loans	BBB	8
Bank Loans	BB	105
Bank Loans	B	149
Bank Loans	CCC	25
Preferred Stock	A+	1
Preferred Stock	BBB	82
Preferred Stock	BBB–	62
Preferred Stock	BB+	12
Preferred Stock	BB	94
Preferred Stock	BB–	20
Total		$17,827

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 perspective, 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. The following table summarizes the maturities as of June 30, 2015 (dollars in thousands):

		2015			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 — 5	6 — 10	More than 10
US Treasury Securities	$3,125	$1,734	$899	$362	$130
Corporate Bonds	7,899	2,862	823	3,969	245
Municipal Bonds	608	347	121	92	48
Mortgage-backed Securities	4,700	3,615	519	374	192
Asset-backed Securities	572	511	52	6	3
Foreign Debt Securities	344	335	8	1	–
Bank Loans	308	6	11	291	–
Preferred Stock	271	20	75	24	152
	$17,827	$9,430	$2,508	$5,119	$770

Administrative Fees and Support from Rutgers, The State University of New Jersey

The Foundation's operations, including certain payroll taxes and benefits, the fair rental value of space occupied, and office furnishings used by the Foundation are supported extensively by the university for operating purposes. Funding sources for the year ended June 30, 2015 were as follows (dollars in thousands):

	2015
Administrative Fees and Support:	
Endowment Administrative Fee	$7,032
Athletic Development Support	429
University Support	7,099
	$14,560
Noncash Support:	
Fair Rental Value of Space Occupied	$368
University-Paid Payroll Taxes and Benefits	1,089
	1,457
Total	$16,017

Assessment Fee Income

The Foundation charges an assessment fee on all new gifts and nongovernmental grants in order to further advancement efforts on behalf of Rutgers, the State University of New Jersey. As of June 30, 2015, assessment fees totaling $5.0 million were recorded.

Restricted Contributions Receivable

The anticipated receipt of contributions receivable as of June 30, 2015 is as follows (dollars in thousands):

	2015
Year Ending June 30	
Within One Year	$46,189
Two to Five Years	28,462
	74,651
Less Allowance for Uncollectible Contributions Receivable	(3,778)
	$70,873

Contributions receivable related to permanent endowments and term endowments do not meet the eligibility requirements for recognition of GASB Statement No. 33 until received. These contributions receivable, which approximated $91.3 million as of June 30, 2015, has not been included in the accompanying financial statements.

Payable to Rutgers, The State University of New Jersey

In August 2008, the Foundation received a gift of real property, comprised of five land parcels, subject to an outstanding mortgage of $1.2 million. Rutgers, The State University of New Jersey loaned the Foundation the funds to satisfy the mortgage and the liability will be repaid to the university with the proceeds from the sale of the property. In March, 2011, two of the land parcels were sold and a portion of the proceeds was applied against the university's outstanding mortgage. In May, 2012 a third land parcel was sold and a portion of the proceeds was pending transfer to the university, to be applied against the university's outstanding mortgage, in July, 2012. In May 2015, the final two parcels of land were sold and a portion of the proceeds were pending payment to the university to satisfy the remainder of the mortgage. As of June 30, 2015, the remaining balance of the mortgage was $0.2 million.

University Receipts on Foundation Pledges

The Foundation records pledges receivables, and the associated gift income, for nonendowment related gifts and private grants based upon written commitments from these entities. From individual donors, the written support is primarily in the form of a fund agreement signed by both the donor(s) and the Foundation. Private grants obtained from private corporations and foundations are recorded upon confirmation of the grant award to the university via correspondence from the private organization. Payments on these pledges are not all received at the Foundation, as some payments are made directly to the university. Any payments made directly to the university are captured in the Foundation's Statement of Revenues, Expenses and Changes in Net Position as gift revenue as well as distributions to the university. The total of these payments to the university as of June 30, 2015 was $25.7 million.

NOTE 20 – COMPONENT UNIT – UNIVERSITY PHYSICIAN ASSOCIATES OF NEW JERSEY, INC. AND AFFILIATE

The following information has been taken from UPA's audited financial statements which were prepared in accordance with financial pronouncements of the Financial Accounting Standards Board.

The accompanying combined financial statements of UPA are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Investments and Assets Whose Use is Limited

Cash and Cash Equivalents – Restricted

This amount represents funds held in one depository account for the repayment of liabilities to the New Jersey Medical School Deans' Fund.

Assets limited as to use at June 30, 2015 is set forth in the following table (dollars in thousands):

	2015
Cash and Cash Equivalents – Restricted	$5,603
	$5,603

Investments

The composition of investments at June 30, 2015 is set forth in the following table (dollars in thousands):

	2015
Cash and Cash Equivalents	$1,781
Marketable Equity Securities	18,121
U.S. Government Securities	3,984
Bonds	3,840
Total Short-term Investments	$27,726

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2015 are as follows (dollars in thousands):

Assets	Valuation Techniques[1]	Quoted Priced in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	2015 Total Fair Value
Marketable Equity Securities	M	$18,121	$ –	$ –	$18,121
U.S. Government Securities	M	–	3,984	–	3,984
Bonds	M	–	3,839	–	3,839
Total Assets		$18,121	$7,823	$ –	$25,944

[1] The three valuation techniques are market approach (M), cost approach (C), and income approach (I).

At June 30, 2015, there was approximately $1.8 million of cash and cash equivalents in investments within the statement of net position 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 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 of priced using a model-based valuation are classified as Level 2.

Transactions with Related Parties

The Board of Directors of UPA includes certain participating UPA physicians, the Dean of Rutgers New Jersey Medical School and the Senior Vice President for Finance and Administration of Rutgers University. Transactions between UPA, Rutgers University and UPA physicians are handled in accordance with the Affiliation Agreement.

Under the terms of the affiliation agreement between Rutgers University and UPA, all professional fees collected by UPA will be distributed in varying proportions to the following:

- UPA participating physicians – Faculty members who are required to or permitted to participate in the faculty practice plan. Included are full time, part time, and voluntary faculty.

- Rutgers New Jersey Medical School department Funds – 7% of gross patient service on system and off system collections are paid into the Departmental Chairs Fund.

- Rutgers New Jersey Medical School Deans' Fund – 7% of gross patient service on system and off system collections are paid into the Deans' Fund.

- Participant fund – These are funds voluntarily voted on by participants through their specific departments within Rutgers New Jersey Medical School, with varying amounts allocated for each participant.

- Rutgers University medical malpractice fund – 3% of gross patient service on system and off system collections are paid into Rutgers University's self-insured pool for medical malpractice coverage per the affiliation agreement.

The payables to related parties as of June 30, 2015 are as follows (dollars in thousands):

	2015
Payable to Rutgers University Medical Malpractice Fund	$569
Payable to New Jersey Medical School Mandatory Department Account	3,189
Payable to New Jersey Medical School Deans' Fund	7,116
Payable to Voluntary Department Account	2,048
Payable to Voluntary Division Account	1,922
Payable to Voluntary Group Account	90
Payable to Voluntary Inter-Departmental Account	(4)
Payable to Voluntary Practice Group Account	7,127
Total Current Liabilities	22,057
Payable to Voluntary Practice Group Account	14,254
Total Liabilities	$36,311

Lease Commitments

UPA originally leased 47,500 square feet of rental space located in the Doctor's Office Center in Newark, New Jersey from UMDNJ. UMDNJ and UPA entered into a lease dated May 7, 2001, with four subsequent addendums to extend the terms of the lease. The fourth addendum effective January 1, 2006 has extended to lease to December 31, 2006 under the same terms and conditions set forth in the May 7, 2001 lease, which is subject to renewal. Effective July 1, 2013, the lease agreement between UPA and UMDNJ was amended to state that, as of that date, the parties to the Lease Agreement are Rutgers University and UPA. Total rental expense in fiscal year 2015 was $1.8 million.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedules of Employer Contributions
For the Year Ended June 30, 2015
(dollars in thousands)

	PERS	PFRS
Contractually Required Contribution	$10,080	$2,557
Contributions in relation to the Contractually Required Contribution	10,080	2,557
Contribution Deficiency (Excess)	–	–
University Employee Covered Payroll (reporting date June 30, 2015)	$294,526	$8,466
Contributions as a percentage of Employee Covered Payroll	3.42%	30.2%

Schedules of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015
(dollars in thousands)

	PERS	PFRS
University Proportionate Share of the Net Pension Liability – State Group	6.420%	1.760%
University Proportionate Share of the Net Pension Liability – Total Plan	3.326%	0.357%
University Proportionate Share of the Net Pension Liability	$1,292,223	$62,433
University Employee Covered-Payroll (measurement date June 30, 2014)	$299,132	$9,043
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered-Payroll	431.9%	690.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.74%	58.86%

RUTGERS
THE STATE UNIVERSITY
OF NEW JERSEY

University Administrative Officers

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President

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Richard L. Edwards, Ph.D.
Chancellor, Rutgers University–New Brunswick

Phoebe A. Haddon, J.D.
Chancellor, Rutgers University–Camden

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Chancellor, Rutgers Biomedical and Health Sciences and
Executive Vice President for Health Affairs

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Vice President for University Budgeting

Stephen J. DiPaolo, M.B.A., C.P.A.
University Controller

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND TENTH SUPPLEMENTAL INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND TENTH SUPPLEMENTAL INDENTURE

The statements made herein concerning the Master Indenture and the Tenth Supplemental Indenture are summaries and do not purport to be complete. Such statements use certain terms defined in the Master Indenture and the Tenth Supplemental Indenture and are qualified in their entirety by reference to the detailed provisions of the Master Indenture and the Tenth 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 Master Indenture and Tenth 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.

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 Year (commencing with the Fiscal Year ending June 30, 2016), 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 2016 Series M Bonds dated March 1, 2016 under "APPENDIX A — INFORMATION CONCERNING RUTGERS, THE STATE 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, 2016 Series M, 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 Executive Vice President for Finance and Administration, the Secretary, an Assistant Secretary, Vice President for Finance, 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 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 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 Executive Vice President for Finance and Administration and University Treasurer or any authorized representative of the Executive Vice President for Finance and Administration and University Treasurer, or the Vice President for Finance and Associate Treasurer is authorized by the Tenth Supplemental Indenture to execute any such Certificate of Determination for the purpose of determining certain matters with respect to the 2016 Series M Bonds, subject to and in compliance with all applicable requirements of the Indenture and the Tenth Supplemental Indenture.

Code: shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

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.

EMMA: shall mean the Electronic Municipal Market Access system for municipal securities disclosures.

Escrow Agent: shall mean U.S. Bank National Association, the escrow trust agent under the Escrow Trust Agreement, or any successor thereto.

Escrow Obligations: shall mean those obligations held by the Escrow Agent pursuant to the terms of the Escrow Trust Agreement.

Escrow Agreement: shall mean the Escrow Trust Agreement, dated as of March 1, 2016, between the University and the Escrow Agent, pursuant to which there will be created a 2009 Series F Escrow Account.

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.

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, 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.

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 2016 Series M 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.

Material 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, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the obligated person;

(xiii) 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

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Material Event Notice: shall mean notice of an Event required to be provided pursuant to the Indenture.

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 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.

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

(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 Bonds: shall mean, collectively, those portions of bonds listed on Exhibit A to the Tenth Supplemental Indenture.

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 2016 Series M 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.

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.

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.

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.

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 Standard & Poor's Financial Services LLC business, 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 Tenth 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 and Moody's 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 and Moody's 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 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.

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.

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.

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.

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.

*Var*iable 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) Earning 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 Sen ice 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 w 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.

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) day s 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 subheading "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 w 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)

Remedies Not Exclusive

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture whether at the time of execution of the Indenture or thereafter existing at law or in equity by statute.

(Indenture, Section 8.9)

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)

Modifications by Unanimous Consent

The rights and obligations of the university and of the Holders of the Bonds, and the terms and provisions of the bonds and the Indenture, may be modified or altered in any respect with the consent of the University and the consent of the Holders of all of the Bonds then Outstanding.

(Indenture, Section 11.6)

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 subheading "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 and Standard & Poor's; 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

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 Material 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 Material 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.

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, 2002, 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 2002, 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 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 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 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.

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, as amended)

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 McCARTER & ENGLISH, LLP
BOND COUNSEL TO THE UNIVERSITY

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March 31, 2016

Rutgers, The State University
New Brunswick, New Jersey

Re: Rutgers, The State University of New Jersey
General Obligation Refunding Bonds, 2016 Series M

Ladies and Gentlemen:

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STAMFORD
NEW YORK
NEWARK
EAST BRUNSWICK
PHILADELPHIA
WILMINGTON
WASHINGTON, DC

We have served as Bond Counsel to Rutgers, The State University (the "University") in connection with the issuance by the University of its General Obligation Refunding Bonds, 2016 Series M in the original principal amount of $164,610,000 (the "Bonds"). The Bonds are dated, mature, bear interest and are subject to redemption prior to maturity, upon the terms and conditions stated therein, in the Indenture (as hereinafter defined) and the Certificate of Determination of the University dated March 31, 2016 (the "Certificate of Determination"). All capitalized terms used herein and not defined herein shall have the meanings ascribed to such terms in the hereinafter-defined Indenture.

The Bonds are issued pursuant to: (i) the Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statutes Annotated (the "Act"); (ii) a resolution adopted by the Board of Governors of the University on February 3, 2016, and a resolution adopted by the Board of Trustees of the University on February 11, 2016 (collectively, the "Resolutions"); and (iii) an Indenture of Trust dated as of February 1, 2002 (the "Master Indenture"), as amended and supplemented, including as amended and supplemented by the Tenth Supplemental Indenture of Trust dated as of March 1, 2016 (the "Tenth Supplemental Indenture", and together with the Master Indenture, the "Indenture"), each by and between the University and U.S. Bank National Association (as successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the "Trustee").

Pursuant to the Indenture, the proceeds from the sale of the Bonds are to be used by the University, together with other funds, for the purpose of: (i) advance refunding certain outstanding bonds of the University (as more fully described in the Tenth Supplemental Indenture); and (ii) financing certain administrative, legal, financing and incidental expenses relating to the issuance of the Bonds.

Pursuant to the terms of the Indenture, the University is obligated to make payments to the Trustee in amounts and at times sufficient to amortize the payment of the principal and redemption price, if any, of and interest on the Bonds.

As Bond Counsel to the University, we have examined the Act and the record of proceedings relating to the authorization and issuance of the Bonds, including, among other things: (i) certified copies of the Resolutions; (ii) an executed Bond; (iii) the executed Master Indenture and Tenth Supplemental Indenture; (iv) the opinion of the Office of the General Counsel to the University, upon which we have relied, with your permission, as to the matters set forth therein; (v) the Certificate of Determination; (vi) various certificates executed by the University, including, without limitation, a certificate (the "Tax Certificate") pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"); and (vii) such other documents, records and instruments as we have deemed necessary to enable us to express the opinions set forth below.

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 Act and 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 Bonds.

The Code imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the University to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The University has made representations in the Tax Certificate as to various tax requirements. In addition, the University has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code.

With your permission, we have assumed (i) continuing compliance by the University with the above covenants in rendering our federal income tax opinion with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference, (ii) that the Master Indenture and the Supplemental Indentures thereto, other than the Tenth Supplemental Indenture, have been duly authorized, executed and delivered by the parties thereto, and (iii) that the Tenth Supplemental Indenture has been duly authorized, executed and delivered by the party thereto other than the University.

Based upon and subject to the foregoing and, with your permission, the further assumptions and qualifications set forth below, it is our opinion that:

1. The University is validly existing under the Act, and it is authorized to issue the Bonds and to enter into the Tenth Supplemental Indenture.

2. The Master Indenture and the Tenth Supplemental Indenture have been duly authorized, executed and delivered by the University, are in full force and effect and constitute the valid and binding agreements of the University, enforceable against the University in accordance with their respective terms.

3. The Indenture creates the valid pledge which it purports to create in the moneys, securities, and funds held or set aside by the Trustee under the Indenture, subject only to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the Resolutions and the Certificate of Determination.

4. The Bonds have been duly authorized and issued under the provisions of the Act, the Resolutions and the Indenture, constitute valid, binding, direct and general obligations of the University, and are entitled to the benefit and security of the Indenture, to the extend provided therein.

5. Under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. The difference between the initial public offering price of the Bonds maturing in 2035, 2036, 2037 and bearing interest at 3.125%, 2038 and 2039 (the "Discount Bonds") at which price a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. The appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Bonds. We express no opinion regarding any other federal income tax consequences arising with respect to the Bonds.

6. Under existing law, interest on the Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally and the application of general principles of equity.

The opinions expressed herein are based upon and limited to the laws, exclusive of conflicts of law provisions, and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinion, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the University with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

We have examined one of the Bonds as executed by the University and authenticated by the Trustee, and, in our opinion, its form, execution and authentication are regular and proper. We have assumed that all of the Bonds have been so executed and authenticated.

This opinion letter is being furnished solely to the party to whom it is addressed and may not be relied upon by any other person or quoted in whole or in part or otherwise referred to, except as required by law, without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

RUTGERS, THE STATE UNIVERSITY (THE STATE UNIVERSITY OF NEW JERSEY) • GENERAL OBLIGATION REFUNDING BONDS, 2016 SERIES M

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Printed by: ImageMaster, LLC
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