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

In the opinion of Bond Counsel, assuming compliance by the University with certain tax covenants described herein, under existing law, interest on the 2018 Series N Bonds is excluded from the gross income of the owners of the 2018 Series N 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 2018 Series N 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 2018 Series N Bonds, interest on the 2018 Series N Bonds will be included in adjusted current earnings for purposes of the alternative minimum tax applicable to taxable years beginning before January 1, 2018. Interest on, and gain if any, on the sale of the 2018 Series O Bonds are not excludable from gross income for federal tax purposes. Based upon existing law, interest on the 2018 Series 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.

$144,700,000
RUTGERS, THE STATE UNIVERSITY
(The State University of New Jersey)
General Obligation Bonds

Consisting of

$44,045,000	$100,655,000
General Obligation Bonds, 2018 Series N (Tax-Exempt)	General Obligation Bonds, 2018 Series O (Federally Taxable)

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

The General Obligation Bonds, 2018 Series N (Tax-Exempt) (the "2018 Series N Bonds") and General Obligation Bonds, 2018 Series O (Federally Taxable) (the "2018 Series O 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 2018 Series N Bonds and the 2018 Series O Bonds are collectively hereinafter referred to as the "2018 Series Bonds." The 2018 Series Bonds shall be secured under the provisions of an Indenture of Trust, dated as of February 1, 2002 (the "Master Indenture"), as supplemented, by and between the University and U.S. Bank National Association (successor to Wachovia Bank, National Association and First Union National Bank), as trustee (the "Trustee"), and an Eleventh Supplemental Indenture of Trust, dated as of March 1, 2018, by and between the University and the Trustee (the "Eleventh Supplemental Indenture," and together with the Master Indenture, the "Indenture").

The 2018 Series 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 2018 Series N Bonds are being issued to (i) provide financing and/or refinancing, together with other available funds, for the construction and equipping of the Rutgers University - Newark Honors Living – Learning Community; and (ii) finance costs of issuance with respect to the foregoing, each as more fully set forth in this Official Statement (the "2018 Series N Project"). The 2018 Series O Bonds will be issued to (i) finance and/or refinance the construction of various capital projects approved by the Board of Governors from time to time, and (ii) finance costs of issuance with respect to the foregoing (the "2018 Series O Project", and collectively with the 2018 Series N Project, the "2018 Project"). See "PLAN OF FINANCE" herein. The 2018 Series Bonds shall not be deemed to constitute a debt or liability of the State of New Jersey nor a pledge of the faith and credit or taxing power of the State of New Jersey or of any political subdivision thereof. The University has no taxing power.

The 2018 Series Bonds are issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of interests in the 2018 Series Bonds will be made in book-entry form only. Purchasers of such interests (the "Beneficial Owners") will not receive certificates representing their interests in the 2018 Series Bonds. So long as Cede & Co., as nominee of DTC, is the owner of the 2018 Series Bonds, references herein to the owners or registered owners will mean Cede & Co., and will not mean the Beneficial Owners of the 2018 Series Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

The 2018 Series Bonds will be delivered in fully registered form in denominations of $5,000 or any integral multiple thereof. Interest on the 2018 Series Bonds is payable semi-annually on May 1 and November 1, commencing on November 1, 2018. The 2018 Series Bonds of each series and maturity will bear interest from their dated date to their maturity (or prior redemption) at the applicable rates set forth on the inside cover pages.

The 2018 Series N Bonds are not subject to redemption prior to maturity. The 2018 Series O Bonds are subject to redemption prior to maturity, including mandatory sinking fund redemption, as described under "The 2018 Series Bonds — Redemption Provisions."

All legal matters incident to the authorization and issuance of the 2018 Series 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 2018 Series Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about March 29, 2018.

Morgan Stanley **Wells Fargo Securities**

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

March 22, 2018

MATURITY SCHEDULE

$44,045,000 GENERAL OBLIGATION BONDS, 2018 SERIES N (Tax-Exempt)

Maturity May 1	Principal Amount	Interest Rate	Yield	CUSIP Number*
2023	$21,590,000	4.000%	2.200%	783186TL3
2028	22,455,000	5.000	2.770	783186TM1

$100,655,000 GENERAL OBLIGATION BONDS, 2018 SERIES O (Federally Taxable)

$100,655,000 4.146% Term Bond due on May 1, 2048, Price 100%, Cusip No. 783186TN9*

*Registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's, Capital IQ. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2018 Series Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2018 Series Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2018 Series Bonds.

RUTGERS
THE STATE UNIVERSITY
OF NEW JERSEY

GOVERNING BOARDS MEMBERSHIP
2017-2018

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 2018 Series Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the University. 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 2018 Series Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the University. 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 2018 SERIES BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH THE 2018 SERIES BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2018 SERIES BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN ADDITION, THE 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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Table of Contents

OFFICIAL STATEMENT

Relating to

$144,700,000
RUTGERS, THE STATE UNIVERSITY
(The State University of New Jersey)
General Obligation Bonds

Consisting of

$44,045,000 **General Obligation Bonds,** **2018 Series N** **(Tax-Exempt)**	**$100,655,000** **General Obligation Bonds,** **2018 Series O** **(Federally Taxable)**

INTRODUCTION

The purpose of this Official Statement is to furnish information concerning Rutgers, The State University (the "University" or "Rutgers") and its $44,045,000 aggregate principal amount of General Obligation Bonds, 2018 Series N (Tax-Exempt) (the "2018 Series N Bonds") and its $100,655,000 aggregate principal amount of General Obligations Bonds, 2018 Series O (Federally Taxable) (the "2018 Series O Bonds, and together with the 2018 Series N Bonds, the "2018 Series Bonds", to be dated the date of delivery. The 2018 Series Bonds shall be secured under the provisions of an Indenture of Trust, dated as of February 1, 2002 (the "Master Indenture"), by and between the University and U.S. Bank National Association, successor to Wachovia Bank, National Association and First Union National Bank, as trustee (the "Trustee"), as supplemented and amended, including as amended and supplemented by an Eleventh Supplemental Indenture of Trust, dated as of March 1, 2018, by and between the University and the Trustee (the "Eleventh Supplemental Indenture," and together with the Master Indenture, the "Indenture"). The 2018 Series Bonds are authorized under the provisions of Rutgers, The State University Law, constituting Chapter 65 of Title 18A of the New Jersey Statutes Annotated (the "Act"), and the Indenture. The Eleventh Supplemental Indenture was authorized pursuant to resolution adopted by the Board of Governors of the University (the "Board of Governors"), on February 7, 2018 with the consent and advice of the Board of Trustees of the University (the "Board of Trustees") by resolution adopted on March 19, 2018 (collectively, the "Resolutions").

The 2018 Series Bonds will be issued pursuant to the Act. The 2018 Series N Bonds will be used to (i) provide financing and/or refinancing, together with other available funds, the construction and equipping of the Rutgers University - Newark Honors Living-Learning Community, and (ii) finance costs of issuance with respect to the foregoing, each as more fully set forth in this Official Statement (the "2018 Series N Project"). The 2018 Series O Bonds will be issued to (i) finance and/or refinance the construction of various capital projects approved by the Board of Governors from time to time, and (ii) finance costs of issuance with respect to the foregoing (the "2018 Series O Project", and collectively with the 2018 Series N Project, the

"2018 Project"). See "PLAN OF FINANCE" herein. The information contained in this Official Statement is furnished in connection with the initial sale of the 2018 Series Bonds. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Indenture.

The 2018 Series Bonds will be general obligations of the University, payable from the revenues and other legally available funds of the University.

As of June 30, 2017, the University had $1.924 billion of outstanding indebtedness under various indentures, including the Indenture, which included $85.670 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 2018 SERIES BONDS

General

The 2018 Series Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. The 2018 Series Bonds will be dated the date of delivery, will bear interest from the date of delivery, payable on each May 1 and November 1, commencing November 1, 2018, 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 2018 Series Bonds are subject to redemption under certain circumstances as summarized under "THE 2018 SERIES BONDS — Redemption Provisions."

Redemption Provisions

Redemption Procedures

When 2018 Series Bonds (or portions thereof) are to be redeemed, the University must give or cause to be given notice of the redemption of any 2018 Series Bonds to the Trustee no later than thirty-five (35) days prior to the redemption date. Thereafter, the Trustee must give or cause to be given notice of the redemption of the 2018 Series Bonds (or portions thereof) in the name of the University, which notice must specify: (i) the 2018 Series Bonds to be redeemed in whole or in part; (ii) the redemption date; (iii) the numbers and other distinguishing marks of the 2018 Series Bonds to be redeemed (except in the event that all of the Outstanding Bonds are to be redeemed); and (iv) that such 2018 Series Bonds will be redeemed at the designated corporate trust office of the Trustee. Such notice must further state that on such date there is due and payable upon each 2018 Series Bond (or a portion thereof) to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon ceases to accrue. Such notice must be given not more than sixty (60) nor less than thirty (30) days (or such shorter period as may be established by the Indenture) prior to the redemption date, by the Trustee by mail, postage prepaid, to the Bondowners of any 2018 Series Bonds that are to be redeemed, at their addresses appearing on the registration books maintained by the Trustee. Notice having been given in accordance with the foregoing, failure to receive any such notice by any of such Bondowners or any defect therein, will not affect the redemption or the validity of the proceedings for the redemption of the 2018 Series Bonds.

With respect to any notice of optional redemption, unless, upon the giving of such notice, such 2018 Series Bonds shall be deemed to have been paid, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the Redemption Price thereof, together with accrued interest on such 2018 Series Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the University shall not be required to redeem such 2018 Series Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

If less than all of the 2018 Series Bonds of any series and maturity are to be so redeemed, the 2018 Series Bonds (or portions thereof) to be so redeemed will be selected by the Trustee as set forth below under the section "THE 2018 SERIES BONDS – Redemption Provisions - Redemption in Part." In addition to the provisions set forth above, the redemption of the 2018 Series Bonds will be effected in accordance with Article III of the Master Indenture.

Redemption in Part

Whenever any 2018 Series Bonds of a series are to be called for redemption in part, such 2018 Series Bonds may be called for redemption in any order of maturity and in any principal amount within a maturity as the University may designate, and in the case of any 2018 Series Bonds subject to scheduled mandatory redemption, the University may designate whether such partial redemption shall be credited against the principal amount due at maturity or against particular scheduled Sinking Fund Installments with respect to such 2018 Series Bonds.

The 2018 Series N Bonds to be redeemed within any maturity shall be selected by the Trustee by lot or by any other method.

If the 2018 Series O Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of the 2018 Series O Bonds, if less than all of the 2018 Series O Bonds of a maturity are called for redemption, the particular 2018 Series O Bonds of such maturity or portions thereof to be redeemed will be selected on a pro rata pass-through distribution of principal basis in accordance with the DTC procedures.

It is the intention of the University that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the University nor the Underwriters of the 2018 Series O Bonds can provide any assurance that DTC, DTC's Direct and Indirect Participants or any other intermediary will allocate the redemption of the 2018 Series O Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the 2018 Series O Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the 2018 Series O Bonds will be selected for redemption, in accordance with the DTC procedures, by lot or in such other manner as is in accordance with the applicable DTC operational arrangements.

If 2018 Series O Bonds are not registered in book-entry-only form, any redemption of less than all of a maturity of the 2018 Series N Bonds will be allocated among the registered owners of the 2018 Series O Bonds of such maturity, as nearly as practicable, taking into consideration the Authorized Denominations of the 2018 Series O Bonds, on a pro rata basis.

Upon surrender of any 2018 Series Bond redeemed in part only, the University shall execute, and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of the University, a new 2018 Series Bond or 2018 Series Bonds of Authorized Denominations and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the 2018 Series Bond surrendered. The 2018 Series Bonds shall be redeemed only in Authorized Denominations.

Redemption of the 2018 Series Bonds

Optional Redemption

The 2018 Series N Bonds are not subject to optional redemption prior to maturity.

Optional Redemption of 2018 Series O Bonds. The 2018 Series O Bonds will be subject to redemption prior to maturity on any Business Day, in any order at the option of the University, as a whole or in part on or after May 1, 2028, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date of redemption.

Sinking Fund Redemption

The 2018 Series O Bonds issued as term bonds maturing on May 1, 2028, are subject to mandatory sinking fund installment redemption on each May 1, commencing on May 1, 2044, from moneys in the Sinking Fund Installment Account of the Debt Service Fund, at a Redemption Price equal to the principal amount thereof specified in the Certificate of Determination, plus accrued interest thereon to the date set for redemption, on May 1 of the years and in the amounts set forth below:

Year	Principal Amount
2044	$11,455,000
2045	13,565,000
2046	14,120,000
2047	30,135,000
2048*	31,380,000

* Final Maturity

The University shall cause to be deposited in the Sinking Fund Installment Redemption Account, in accordance with the Indenture, an amount sufficient to pay Sinking Fund Installments, and the Trustee shall redeem or pay from the Sinking Fund Installment Account (subject to any crediting of such Sinking Fund Installments in accordance with the Indenture) the principal amount of the 2018 Series O Bonds in the manner herein provided on each May 1 as set forth in the Certificate of Determination.

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), 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"), and General Obligation Refunding Bonds, 2016 Series M (the "2016 Series M Bonds"), (collectively, the "Prior General Obligation Bonds"), the payment of principal, Sinking Fund Installments of and interest on the 2018 Series Bonds, and the total debt service for the Prior General Obligation Bonds and the 2018 Series Bonds.

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		2018 Series N Bonds		2018 Series O Bonds		
Fiscal Year Ending June 30	**Debt Service on Prior General Obligation Bonds (1) (2)**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Debt Service**
2018	$131,416,730	--	--	--	--	$131,416,730
2019	136,005,388	--	$2,162,914	--	$4,544,104	142,712,406
2020	129,880,256	--	1,986,350	--	4,173,156	136,039,762
2021	125,401,248	--	1,986,350	--	4,173,156	131,560,754
2022	127,831,590	--	1,986,350	--	4,173,156	133,991,096
2023	123,602,341	$21,590,000	1,986,350	--	4,173,156	151,351,847
2024	125,451,310	--	1,122,750	--	4,173,156	130,747,216
2025	125,065,529	--	1,122,750	--	4,173,156	130,361,435
2026	126,283,132	--	1,122,750	--	4,173,156	131,579,038
2027	125,629,872	--	1,122,750	--	4,173,156	130,925,778
2028	125,283,890	22,455,000	1,122,750	--	4,173,156	153,034,796
2029	125,032,072	--	--	--	4,173,156	129,205,228
2030	124,706,598	--	--	--	4,173,156	128,879,754
2031	124,320,907	--	--	--	4,173,156	128,494,063
2032	128,776,867	--	--	--	4,173,156	132,950,023
2033	125,042,313	--	--	--	4,173,156	129,215,469
2034	93,069,300	--	--	--	4,173,156	97,242,456
2035	92,667,252	--	--	--	4,173,156	96,840,408
2036	95,232,097	--	--	--	4,173,156	99,405,253
2037	91,591,752	--	--	--	4,173,156	95,764,908
2038	91,012,726	--	--	--	4,173,156	95,185,882
2039	90,431,830	--	--	--	4,173,156	94,604,986
2040	90,563,569	--	--	--	4,173,156	94,736,725
2041	89,548,883	--	--	--	4,173,156	93,722,039
2042	89,553,644	--	--	--	4,173,156	93,726,800
2043	89,557,151	--	--	--	4,173,156	93,730,307
2044	17,055,200	--	--	$11,455,000	4,173,156	32,683,356
2045	15,419,000	--	--	13,565,000	3,698,232	32,682,232
2046	15,429,750	--	--	14,120,000	3,135,827	32,685,577
2047	-	--	--	30,135,000	2,550,412	32,685,412
2048	-	--	--	31,380,000	1,301,015	32,681,015
TOTAL	$2,990,862,197	$44,045,000	$15,722,064	$100,655,000	$119,558,497	$3,270,842,758

(1) Excludes the portion of the debt service payable on the NJEFA Capital Improvement Fund, NJEFA Equipment Leasing Fund, 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

(2) Interest on variable rate 2002 Series A and 2009 Series G Bonds is calculated based on interest rate swaps associated with each respective series. See “APPENDIX A – INFORMATION CONCERNING RUTGERS, THE STATE UNIVERSITY – Interest Rate Swaps” for further information.

SECURITY FOR THE BONDS

General

The Indenture provides that the 2018 Series Bonds shall be direct and general obligations of the University, and that the full faith and credit of the University shall be pledged for the payment of the principal and Redemption Price thereof and interest thereon; provided, however, there shall be excluded from the pledge of the Indenture any revenues, moneys, securities or funds heretofore or hereafter specially pledged by the University for the payment of other bonds, notes or other indebtedness. Payment of the principal and Redemption Price of the 2018 Series Bonds and the interest thereon shall be additionally secured equally and ratably under the Indenture by a pledge of the revenues set aside by the University and received by the Trustee and all the moneys or securities held or set aside by the Trustee under the Indenture (other than amounts held in the Rebate Fund). In addition, the University has reserved the right pursuant to the Indenture to issue Additional Bonds for Additional Projects permitted thereunder upon the terms and conditions set forth therein. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND ELEVENTH 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 2018 Series Bonds shall not be deemed to constitute a debt or liability of the State of New Jersey (the "State") nor a pledge of the faith and credit of or taxing power of the State or any political subdivision thereof. The University has no taxing power.

Additional Bonds

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the 2018 Series Bonds is to be transferred and how the principal of and interest on the 2018 Series Bonds are to be paid to and credited by DTC while the 2018 Series Bonds are registered in the name of Cede & Co., its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The University believes the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

The University cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 2018 Series Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 2018 Series Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. 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 and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. So long as the 2018 Series Bonds are maintained in book-entry form, the following procedures will be applicable with respect to the 2018 Series Bonds.

Purchase of Ownership Interests. Purchases of 2018 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Series Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal, Tender Price, Premium, if any, and Interest. Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments 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 the Direct and Indirect Participants.

Notices. 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 2018 Series Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2018 Series Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial Owners of the 2018 Series Bonds may wish to ascertain that the nominee holding the 2018 Series Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018 Series Bonds within an issue 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 2018 Series Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NEITHER THE UNIVERSITY, NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS

NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of 2018 Series Bonds. To facilitate subsequent transfers, all 2018 Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2018 Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Neither the University nor the Trustee will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any 2018 Series Bonds on the registration books of the Trustee.

Discontinuance of Book-Entry-Only System. In the event (i) DTC determines not to continue to act as securities depository for the Bonds, or (ii) the University, with the consent of the University and the Trustee, determines in accordance with the terms of the Indenture that (a) DTC is incapable of discharging its duties, or (b) it is in the best interests of the holders of the Bonds not to continue the Book-Entry-Only System or that interests of the Beneficial Owners of the Bonds might be adversely affected if the Book-Entry-Only System is continued, then the University will discontinue the Book-Entry-Only System with DTC. Upon the occurrence of the event described in (i) or (ii)(a) above, the University will attempt to locate another qualified securities depository. If the University fails to identify another qualified securities depository to replace DTC or makes the determination noted in (ii)(b) above, the Trustee will authenticate and deliver the 2018 Series Bonds in accordance with the Indenture.

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 does not take any responsibility for the accuracy thereof.

PLAN OF FINANCE

The 2018 Project

2018 Series N Project: 2018 Series N Project: The proceeds of the 2018 Series N Bonds, together with other available Funds, will be used to (i) finance and/or refinance the 2018 Series N Project, and (ii) finance the costs of issuance with respect to the foregoing. The 2018 Series N Project will consist of the financing and/or refinancing of the construction and equipping of the Rutgers University-Newark ("RU-Newark") Honors Living-Learning Community, consisting of a new approximately 155,000 gross square foot, 5-story building featuring mixed-usage to include; academic spaces, student support functions, RU - Newark Honors Living-Learning Community departmental offices, long-term bicycle storage, parking for approximately 322 vehicles and retail space. The state-of- the-art facility shall include residential, amenity, and academic spaces that will house approximately 400 talented diverse undergraduate student cohort that will include, but not limited to, veterans, older students, transfer students, and first-generation college students.

2018 Series O Project: The proceeds of the 2018 Series O Bonds, together with other available Funds, will be used to (i) finance and/or refinance the 2018 Series O Project, and (ii) finance the costs of issuance with respect to the foregoing. The 2018 Series O Project will consist of the financing and/or refinancing of the construction of various capital projects approved by the Board of Governors of the University from time to time.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2018 Series Bonds are expected to be applied as set forth below (rounded to the nearest dollar):

Sources of Funds	**2018 Series N Bonds**	**2018 Series O Bonds**	**Totals**
Principal Amount	$44,045,000	$100,655,000	$144,700,000
Plus Original Issue Premium	6,241,364		6,241,364
Total Sources of Funds	$50,286,364	$100,655,000	$150,941,364
Uses of Funds			
Deposit to Project Fund	$50,000,000	$100,000,000	$150,000,000
Costs of Issuance*	286,364	655,000	941,364
Total Uses of Funds	$50,286,364	$100,655,000	$150,941,364

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

TAX MATTERS

Federal Tax Matters Related to the 2018 Series N Bonds

Exclusion of Interest on the 2018 Series N 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 2018 Series N Bonds in order to assure that interest on the 2018 Series N 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 2018 Series N Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the 2018 Series N Bonds. The University has covenanted to comply with the provisions of the Code applicable to the 2018 Series N Bonds and has covenanted not to take any action or permit any action that would cause the interest on the 2018 Series N Bonds to be included in gross income under Section 103 of the Code or cause interest on the 2018 Series N Bonds be an item of tax preference under Section 57 of the Code.

In the opinion of Bond Counsel, assuming continuing compliance by the University with the tax covenants referred to above, under existing law, interest on the 2018 Series N Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the 2018

Series N Bonds. Bond Counsel will render its opinion as of the date of issuance of the 2018 Series N Bonds, and will assume no obligation to update the opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed.

Original Issue Premium

Certain maturities of the 2018 Series N Bonds were sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). 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.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the 2018 Series N Bonds, interest on the 2018 Series N Bonds will be included in adjusted current earnings for purposes of the alternative minimum tax applicable to taxable years beginning before January 1, 2018.

Prospective purchasers of the 2018 Series N Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the 2018 Series N 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 2018 Series N Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the "IRS") has established an on-going program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2018 Series N Bonds. Owners of the 2018 Series N Bonds are advised that, if the IRS does audit the 2018 Series N Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the University as the taxpayer, and the owners of the 2018 Series N Bonds may have limited rights to participate in such procedure. The commencement of audit could adversely affect the market value and liquidity of the 2018 Series N Bonds until the audit is concluded, regardless of the ultimate outcome.

Federal Tax Matters Regarding the 2018 Series O Bonds

General

The following discussion is a summary of the principal United States federal income tax consequences of the acquisition, ownership, and disposition of the 2018 Series O Bonds by original purchasers of the 2018 Series O Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the 2018 Series O Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the 2018 Series O Bonds as a position in a "hedge" or "straddle" for United States federal income tax purposes, or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar. Each prospective purchaser of the 2018 Series O Bonds should consult with its own tax advisor concerning the United States federal income tax and other tax consequences to it of the acquisition, ownership, and disposition of the 2018 Series O Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a 2018 Series O Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Interest Income

Interest on the 2018 Series O Bonds is included in gross income for United States federal income tax purposes.

Recognition of Income

Under newly enacted law that is effective for tax years beginning after December 31, 2017 (or, in the case of original issue discount, for tax years beginning after December 31, 2018), certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the 2018 Series O Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below. Prospective purchasers of the 2018 Series O Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of recognition of income related to the 2018 Series O Bond under the Code.

Disposition of 2018 Series O Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a 2018 Series O Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the 2018 Series O Bond. A U.S. Holder's adjusted tax basis in a 2018 Series O Bond generally will equal such U.S. Holder's initial investment in the 2018 Series O Bond, decreased by the amount of any payments, other than qualified stated interest payments, received. Such gain or loss generally will be long-term capital gain or loss if the 2018 Series O Bond was held for more than one year.

Defeasance

U.S. Holders of the 2018 Series O Bonds should be aware that, for federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the 2018 Series O Bonds to be deemed to be no longer outstanding under the Indenture (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the 2018 Series O Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the 2018 Series O Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for federal income tax purposes, and for state and local tax purposes.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a 2018 Series O Bond before maturity within the United States. Backup withholding at a rate equal to the fourth lowest rate of tax under Section 1(c) of the Code will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns.

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

Surtax on Unearned Income

For taxable years beginning after December 31, 2012, a U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a tax on the lesser of (1) the U.S. Holder's "net investment income" for the taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (the "Surtax on

Unearned Income"). A U.S. Holder's net investment income will generally include its interest income and its net gains from the disposition of the Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. Holder that is an individual, estate, or trust, should consult its own tax advisor regarding the applicability of the Surtax on Unearned Income.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the 2018 Series Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Changes in Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the 2018 Series N Bonds, gain from the sale or other disposition of the Series 2018 Bonds, the market value of the Series 2018 Bonds, or the marketability of the Series 2018 Bonds, or otherwise prevent the owners of the Series 2018 Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2018 Bonds may occur. Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2018 Bonds

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" (stable outlook) and "A+" (stable outlook), respectively, to the 2018 Series Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organization, and the University makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or 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 2018 Series Bonds.

STATE NOT LIABLE ON THE 2018 SERIES BONDS

Nothing in the 2018 Series Bonds or in the Indenture shall be construed as pledging the faith and credit of the State of New Jersey or any political subdivision thereof for their payment, or to create any debt against said State or any political subdivision thereof. The University has no taxing power.

LEGALITY OF THE 2018 SERIES BONDS FOR INVESTMENT

The 2018 Series Bonds are legal investments, in the opinion of Bond Counsel to the University, under present provisions of New Jersey law: (i) for banks and life insurance companies in the State of New

Jersey; (ii) for savings banks and savings and loan associations in the State of New Jersey, subject to certain statutory limitations on the amount of such investments; (iii) for fiduciaries, subject to the provisions of the New Jersey Prudent Investment Law; and (iv) for certain institutions, subject to the provisions of the New Jersey Uniform Management of Institutional Funds Act.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the 2018 Series 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 2018 Series 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.

UNDERWRITING

The 2018 Series Bonds are being purchased from the University by Morgan Stanley & Co. LLC as representative of the underwriters listed on the cover page hereof (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase: (i) all of the 2018 Series N Bonds at an aggregate purchase price equal to $50,135,732.90 (representing the principal amount of $44,045,000, plus an original issue premium of $6,241,363.50, less an underwriters' discount of $150,630.60); and (ii) all of the 2018 Series O Bonds at an aggregate purchase price equal to $100,310,767.45 (representing the principal amount of $100,655,000, less an underwriters' discount of $344,232.55). The initial public offering prices of the 2018 Series Bonds set forth on the inside cover pages may be changed without notice by the Underwriters. The Underwriters may offer and sell the 2018 Series Bonds to certain dealers (including dealers depositing 2018 Series Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices higher or yields lower than the offering prices or yields set forth on the inside cover pages hereof.

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

Morgan Stanley & Co. LLC, one of the Underwriters of the 2018 Series 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 & Co. LLC 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 2018 Series 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 2018 Series Bonds.

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, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the 2018 Series Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2018 Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2018 Series Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2018 Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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 2018 Series 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.

Certain members of the Board of Governors and/or Board of Trustees are employed by Morgan Stanley & Co. LLC, Bank of America Merrill Lynch and Janney Montgomery Scott, or its affiliates, which firms are members of the underwriting team for the sale of the 2018 Series Bonds. Such Board Members did not participate in the selection of the underwriters of the 2018 Series Bonds.

FINANCIAL ADVISOR

Prager & Co., LLC ("Prager") has been retained to act as financial advisor for the University in connection with the issuance of the 2018 Series Bonds. Although Prager has assisted in the preparation of this Official Statement, Prager is not obligated to undertake, and has not undertaken to make, any independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS

The financial statements of the business-type activities and the aggregate discretely presented component units of Rutgers, The State University of New Jersey (the University) as of June 30, 2017, and 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 therein.

Their report dated December 8, 2017 included an unmodified opinion on the financial statements of the business-type activities of the University and a qualified opinion on the financial statements of the aggregate discretely presented component units of the University. Their qualified opinion is based on their report and the report of the other auditors and contains an explanatory paragraph that states that the financial statements of University Physicians Associates of New Jersey, Inc. and Affiliate, presented as a discretely presented component unit, 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.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the 2018 Series Bonds or questioning or affecting the validity of the 2018 Series Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the University, nor the title of the present officers of the University to their respective offices, is being contested except as otherwise described in this Official Statement.

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

CONTINUING DISCLOSURE UNDERTAKING

The Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the 2018 Series Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories.

The University has covenanted with the Trustee for the benefit of Bondholders to provide certain financial information and operating data relating to the University by not later than 180 days following the end of the University's Fiscal Year beginning with the Fiscal Year ending June 30, 2018 (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 ELEVENTH 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.

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CLOSING CERTIFICATE

Concurrently with delivery of the 2018 Series 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 2018 Series Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

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 22, 2018

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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 32 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" or "New Jersey"). 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, integrated 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 the investment of certain funds under its control.

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

Locations and Academic Programs

Rutgers is one university with three distinct operational locations in New Jersey – in Camden, Newark and New Brunswick – each headed by a Chancellor and characterized by its own distinct identity. With the creation of Rutgers Biomedical and Health Sciences (RBHS), the University has a fourth unit that is also headed by its own Chancellor, yet, unlike other units, is not defined by its geography but by its state-wide network of healthcare education and service.

University degrees are awarded by 32 schools and colleges. In 2017, the University awarded more than 17,500 degrees, including 11,200 baccalaureate degrees, 4,300 master's degrees, and 1,800 doctorates (including professional doctorates). The University has locations in all 21 New Jersey counties, as well as academic and research enterprises around the world.

Rutgers University-New Brunswick

Rutgers University–New Brunswick is the land-grant unit of the University and its flagship campus. It is classified by the Carnegie Commission as a Doctoral University: Highest Research Activity, and is a member of the prestigious Association of American Universities, the Big Ten Conference, and the Big Ten Academic Alliance.

Rutgers University-New Brunswick includes 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, and the Livingston Campus in Piscataway and Edison. In addition, Rutgers' New Jersey Agricultural Experiment Station has research centers across the state as well as Cooperative Extension offices in all 21 counties.

Twelve colleges and schools 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 of Applied and Professional Psychology, the Graduate School of Education, the School of Communication and Information, the School of Social Work, the School of Management and Labor Relations, and the School of Graduate Studies which is a unit of both Rutgers University–New Brunswick and RBHS.

Rutgers Biomedical and Health Sciences

As New Jersey's academic medical center, RBHS takes an integrated approach to educating students, providing clinical care, and conducting research, all with the goal of improving human health. RBHS has eight schools that offer degrees: Ernest Mario School of Pharmacy, New Jersey Medical School, Robert Wood Johnson Medical School, Rutgers School of Dental Medicine, the School of Health Professions, the School of Nursing, the School of Public Health, and the School of Graduate Studies which is a unit of both Rutgers University–New Brunswick and RBHS.

In addition, RBHS includes the University Behavioral Health Care network, and the following 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, and Rutgers Cancer Institute of New Jersey.

Clinical and academic facilities are located at Rutgers University–New Brunswick, the Newark Health Sciences Campus, and other locations throughout the state including Scotch Plains and Somerset. Clinical partners include the Robert Wood Johnson University Hospital in New Brunswick, Newark's University Hospital, and other affiliates.

Rutgers Health Group (RHG), a non-profit corporation, was incorporated on July 29, 2016 and officially commenced operations on July 1, 2017. Operating as "Rutgers Health," RHG is the University's integrated, interprofessional faculty group practice encompassing providers from Robert Wood Johnson Medical School, New Jersey Medical School, Cancer Institute of New Jersey, University Behavioral Health Care, School of Dental Medicine, and School of Nursing. With over 800 providers, the mission of RHG is to be a state-wide integrated faculty practice that attracts and retains the best providers and serves as the foundational component of a premier academic health center, an effective partner to patients, hospitals, community providers and other affiliates and a leader in delivering consistent, value-based healthcare that improves our patients' well-being. See "Patient Care and Affiliate Revenues".

Rutgers University-Newark

Rutgers University–Newark is an exceptionally diverse, urban institution, classified by the Carnegie Commission as a Doctoral University: Higher Research Activity. Located in downtown Newark, the campus identifies itself as also being of Newark — an anchor institution of its home city.

Rutgers University-Newark has six colleges and schools that offer degrees: Newark College 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

Rutgers University–Camden combines the benefits of an urban, regional public research university with the personalized experience of a small campus. It is classified by the Carnegie Commission as among "Master's Colleges and Universities: Larger Programs," and it has developed a focus on providing its students with opportunities for civic engagement and experiential learning.

Rutgers University-Camden has five colleges and schools that 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.

Newark and New Brunswick

Rutgers Business School: Graduate Programs–Newark and New Brunswick

Newark and Camden

Rutgers Law School

State Economic Impact

In 2017, the University completed a study of its economic impact on New Jersey. The study's findings are summarized below:

- Rutgers fuels the New Jersey economy by generating \$5.2 billion in economic activity, \$4.3 billion in annual wages, and \$798.2 million in state and local taxes.

- For every \$1 the State invests in Rutgers, Rutgers returns almost \$7 to the New Jersey economy.

- Rutgers supports 58,000 New Jersey jobs: 26,000 directly and 32,000 indirectly.

- Rutgers spends $658 million on research and development that sparks innovation and supports the economy –more than all other public and private universities in the state combined.

- Rutgers devotes $684 million to helping people with their health care needs, providing outstanding patient care as well as access to clinical trials, specialists, and the latest technology and treatments.

- Rutgers is the third-largest nongovernmental employer in New Jersey.

Strategic Planning

The University completed a comprehensive strategic plan in February 2014 (the "Strategic Plan"). The Strategic 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 Strategic Plan articulated the following overarching goal: Rutgers aspires to be broadly recognized as among the nation's leading public universities: preeminent in research, excellent in teaching, and committed to community.

The Strategic 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 Strategic Plan.

In 2017, the University reviewed progress on the University's Strategic Plan and some key accomplishments of Strategic Plan recommendations are as follows:

- Concerning faculty excellence, as of the end of the spring 2017 semester, 15 of 30 new Henry Rutgers Professorships for senior faculty and 14 of 25 Henry Rutgers Term Chairs for mid-career faculty have been filled or were in the search process.

- The New Brunswick Honors College began admitting students in fall 2015, enrolling approximately 500 first-year students each year. At Newark, the new Honors Living-Learning Community enrolled its first cohort of students in fall 2015. The Honors College at Camden increased its enrollment to record numbers with 525 students in fall 2016.

- Two synchronous lecture halls, connecting cross-campus facilities, were created on the New Brunswick campus, offering 11 courses to 1,780 students during the spring 2017 semester. The lecture hall in the newly opened Nursing and Science Building in Camden has been developed as a synchronous lecture hall. The Rutgers Business School is developing a pair of synchronous digital classrooms to connect the facility at 1 Washington Park in Newark with the location on the Livingston Campus at Rutgers–New Brunswick.

- The first year of the diversity hiring program resulted in the addition of 25 new faculty members from underrepresented backgrounds, and an additional 30 in the second year.

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, 2018, the University's faculty and staff who were employed full-time or part-time on a regular basis totaled 24,499, of whom 19,710 are represented, for purposes of collective negotiations, by 7 academic labor organizations, and 17 administrative, clerical, healthcare, service, and technical labor organizations.

As of January 31, 2018, there are 4,789 employees who are not represented by unions consisting 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. The University expects to begin contract negotiations in the near future.

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. In 2018, the Commission will conduct its decennial accreditation review.

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 Big Ten Academic Alliance, 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 2017, the University enrolled 69,198 students, representing the highest enrollment in its history, exceeding the previous high of 68,942 students in fall 2016.

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

	Academic Year				
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18***
New Brunswick					
Undergraduate	31,400	32,206	33,060	33,653	33,274
Graduate and Professional	8,553	8,514	8,639	8,661	9,534
Newark					
Undergraduate	7,217	7,408	7,713	8,170	8,551
Graduate and Professional	3,995	3,906	4,007	4,151	4,217
Camden					
Undergraduate	4,842	4,857	4,899	5,021	5,489
Graduate and Professional	1,422	1,464	1,509	1,454	1,364
RBHS					
Undergraduate	2,501	2,338	2,424	2,515	2,367
Graduate and Professional	5,582	5,320	5,305	5,317	4,402
Total	65,512	66,013	67,556	68,942	69,198

*Effective Fall 2017, the Graduate School of New Brunswick and the Graduate School of Biomedical Sciences merged into the School of Graduate Studies. This merger impacted the distribution of graduate and professional students reported for New Brunswick and RBHS campus areas.

For fall 2017, the University received a record 41,360 applications and enrolled 8,351 first-year undergraduate students. The fall 2017 undergraduate entering class is comprised of 85 percent New Jersey residents, 9 percent international students and 6 percent domestic out-of-state-students.

TABLE 2
Fall First Year Enrollment
Undergraduate Schools

	Academic Year				
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Applicants	33,545	33,717	37,641	39,173	41,360
% Admitted (selectivity)	66.7	68.4	67.1	66.5	72.7
Admitted Students	22,368	23,050	25,242	26,054	30,054
% Enrolled (yield)	35.3	34.1	32.6	32.5	27.8
Enrolled Students	7,888	7,856	8,236	8,467	8,351

For the 2017-2018 academic year, the University enrolled 4,716 transfer students.

TABLE 3
Transfer Students
Undergraduate Schools

	Academic Year				
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Enrolled Students	4,126	4,544	4,602	4,813	4,716

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 Fall 2017 Honors College class of 492 students had an average SAT (M+ERW) score of 1480.

TABLE 4
SAT Scores*

	Academic Year				
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**
New Brunswick	1212	1216	1226	1229	1294
Newark	1058	1043	1031	1012	1088
Camden	1039	1030	1029	1015	1087

* Combined mean score for all entering first-year students (all admit types). Fall 2017 SAT scores based on new redesigned SAT (M+ERW) and includes a combination of new scores and concorded old scores to the new scale; past data not comparable. For years prior to 2017-2018, combined mean scores reflect Math+Verbal.

In 2015, Rutgers joined the Coalition for Access, Affordability, and Success (the "Coalition") as a founding member. The Coalition is a group of more than 140 distinguished colleges and universities across the U.S. that joined together to increase students' access to higher education, and to improve the college application process with a single centralized toolkit for students to organize, build and refine applications to numerous institutions. One of the driving forces behind the formation of the Coalition was research demonstrating that students thinking about college early in high school results in higher application rates, and early engagement supports under-resourced students during the college preparation process. Rutgers appeared on the Coalition Application platform last year, greatly increasing the University's national visibility. Fall 2018 applications from this national application platform currently comprise ten percent of the total applicant pool after just one year of membership.

Admissions counselors recruit abroad in Asia, Europe, Central and South America, and countries in the Middle East. The University maintains a state, national, and global reach by attracting competitive applicants from all 50 states and more than 100 countries.

Rutgers 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. In the spring of 2017, Rutgers launched four new admissions websites and has had 2 million yearly visits and 4.6 million pages viewed. More than 10,000 viewers saw a new mobile-friendly, customizable, digital view book to learn more about the University. Engagement across social media platforms has increased with Rutgers-New Brunswick having 595,000 Twitter impressions.

In 2017, Rutgers developed a multi-year marketing and branding campaign targeting students in Connecticut, Illinois, Maryland, New York, Pennsylvania, and Virginia. Rutgers-New Brunswick's membership in the Big Ten Academic Alliance and Big Ten Athletic Conference continues to bolster recruitment initiatives in the Midwest and the campus hosted over 28,000 guests for campus visits and tour programs. Rutgers-Camden opened a new Welcome Center in 2017, a state-of-the-art, one-stop location for prospective students and families to meet admissions counselors and tour the 40-acre campus. A key aspect of marketing and recruitment efforts are the Honors programs at the New Brunswick, Newark, and Camden campuses. More than 1,200 students across the University enroll in Honors programs offering an enriched educational experience, interdisciplinary exploration, and experiential learning. In 2018, Rutgers-Newark will open a 400-bed Honors Living-Learning Community that will enhance the enrollment of students in this transformational college access and success program.

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.

Over the past five years, undergraduate tuition increases have averaged about 2%, consistent with the University's overall goal of making higher education more affordable to a broad range of students.

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.

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TABLE 5
Tuition, Charges and Fees ($)

	Academic Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
Tuition[1]:					
Undergraduate students:					
Residents	$10,718	$10,954	$11,217	$11,408	$11,619
Non –Residents	24,742	25,732	26,607	27,059	27,560
Room and Board Charges[2]	11,578	11,748	12,054	12,260	12,452
Fees[3]	2,781	2,859	2,914	2,964	3,019
Tuition:					
Graduate students: [4]					
Residents:					
Maximum (12 credits)	15,552	15,888	16,272	16,536	16,848
Minimum (9 credits)	11,664	11,916	12,204	12,402	12,636
Non -Residents:					
Maximum (12 credits)	25,704	26,736	27,648	28,128	28,656
Minimum (9 credits)	19,278	20,052	20,736	21,096	21,492
New Jersey Medical School:					
Residents	35,823	37,615	38,518	39,288	40,074
Non -Residents	57,479	57,479	59,433	60,622	61,834
Robert Wood Johnson Medical School:					
Residents	35,823	37,615	38,518	39,288	40,074
Non -Residents	57,479	57,479	59,433	60,622	61,834
New Jersey Dental School:					
Residents	35,823	37,972	38,883	39,661	44,024
Non -Residents	57,479	60,929	63,001	64,261	71,329

1 Undergraduate Tuition charges are for New Brunswick School of Arts and Sciences students.

2 Board charges based on the plan for 210 meals. Room charges reflects a New Brunswick double-occupancy resident hall rate.

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

4 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. Graduate student charges shown are for the Graduate School-New Brunswick. The Medical School rates for residents are for incoming students only.

Student Financial Aid

The University's current policy is to consider admissions without regard to financial ability to meet the cost of Rutgers' education and a commitment to provide assistance to those admitted who demonstrate financial need. During 2017, 51,211 University students (74.3% of the total enrollment) received some form of University administered student aid.

In 2017, University students received $987 million in federal, state, and University financial assistance. Federal funds include Pell Grants, Supplemental Educational Opportunity Grants, 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 Grants, the Educational Opportunity Fund, and the three specific merit scholarships which, taken together, comprise the Garden State Scholarship Program. University or Institutional funds include the Rutgers Assistance Grant Program which provided $32.2 million to over 11,600 recipients in 2017. Table 6 provides information concerning financial assistance the University has provided to students for the five years ending June 30, 2017. Federal and State government 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)

	2012-13	2013-14[2]	2014-15	2015-16	2016-17
Scholarships/Grants:					
Institutional Funds[1]	$136.2	$146.8	$158.0	$169.9	$183.8
State Funds	87.8	92.0	98.1	99.9	104.4
External Funds	6.4	7.6	6.9	7.6	7.0
Federal Funds	67.3	73.7	77.1	78.9	81.2
Total Scholarships/Grants	297.7	320.1	340.1	356.3	376.4
Loans Made to Students:					
University Loan Funds	0.5	0.5	0.6	0.6	0.5
State Loan Funds	18.7	19.8	16.7	17.6	17.6
External Funds	40.4	50.0	53.0	62.4	62.9
Federal Loan Funds	329.3	429.5	431.0	442.4	452.3
Total Loans Made to Students	388.9	499.8	501.3	523.0	533.3
Student Employment:					
Federal Work-Study	4.4	4.7	5.2	5.9	5.8
University Student Payroll	29.0	32.8	67.8	73.3	72.0
Total Student Employment	33.4	37.5	73.0	79.2	77.8
TOTAL	$720.0	$857.4	$914.4	$958.5	$987.5

[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.

TABLE 7A
Operating Results
($ in thousands)

Table 7A summarizes the University's Operating Results. Figures shown for 2014 through 2017 were derived from the University's Financial Statements.

In October 2016, the University implemented a new financial management system to enhance University-wide reporting and controls. This implementation resulted in a reevaluation of certain transaction classifications. As a result, reporting of financial data, in some cases, may not directly correspond to data as reported in prior years and, for 2017, the University's financial statements are in a single year presentation as opposed to a comparative year format that has been used in prior years. In the Management Discussion and Analysis section of the University's 2017 Annual Report, the University shows comparative data for fiscal years ended June 30, 2016 and 2017. For additional information, see "APPENDIX B- Independent Auditors' Report and Financial Statements of Rutgers, The State University" herein.

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	2014	2015	2016	2017
Operating Revenues:				
Student Tuition and Fees[1]	$820,229	$863,051	$905,762	$930,727
Grants and Contracts	579,695	584,867	575,198	602,696
Auxiliary Enterprises[1]	291,460	306,260	317,429	282,384
Net Patient Services Revenues	487,578	518,019	533,932	473,050
Health Service Contract Revenues	-	-	-	238,117
Other	126,880	130,439	163,661	148,886
Total operating revenues	2,305,842	2,402,636	2,495,982	2,675,860
Operating Expenses:				
Education and General	1,694,218	1,601,024	1,681,099	2,224,076
Sponsored Research	522,675	660,879	649,903	436,186
Patient Care Services	613,492	653,446	684,222	636,343
Auxiliary Enterprises	292,991	288,869	288,680	260,895
Scholarships and Fellowships[1]	52,517	54,201	58,596	79,708
Depreciation	147,629	152,525	151,254	184,782
Other	494	784	398	228
Total operating expenses	3,324,016	3,411,728	3,514,152	3,822,218
Operating loss	(1,018,174)	(1,009,092)	(1,018,170)	(1,146,358)
Nonoperating revenues/(expenses):				
State Appropriations	455,188	455,194	439,930	435,175
Fringe Benefits Paid Directly by the State of New Jersey	322,205	326,690	335,736	372,336
Federal Appropriations	8,463	7,346	7,429	6,371
Governmental Student Aid	174,104	188,707	188,625	193,547
Contributions	40,625	52,416	51,367	32,560
Investment Income (including Net Increase/ (Decrease) in Fair Value of Investment)	118,609	47,499	19,380	152,395
Interest on Capital Asset Related Debt	(83,053)	(80,214)	(83,866)	(88,010)
Loss on Disposal of Capital Assets	(1,539)	(928)	(206)	(1,807)
Other	10,836	5,297	1,386	(60,616)
Net nonoperating revenues/(expenses)	1,045,438	1,002,007	959,781	1,041,951
Income/(Loss) before other revenues	27,264	(7,085)	(58,389)	(104,407)
Capital Grants and Gifts	13,221	112,994	124,702	101,484
Additions to Permanent Endowments	27,756	20,721	34,709	27,573
Increase in Net Position	**$68,241**	**$126,630**	**$101,022**	**$24,650**

[1] The following scholarship allowances have been deducted from Student Tuition and Fees and Auxiliary Enterprises:

Student Tuition and Fees	$191,513	$205,331	$215,188	$234,661
Auxiliary Enterprises	41,987	43,307	46,110	44,867
Total (Scholarships and Fellowships)	$233,500	$248,638	$261,298	$279,528

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 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 in accordance with the Senior Publics Drawdown Schedule. Auxiliary enterprise facilities are operated substantially on a self-supporting basis.

At the beginning of each calendar year, a proposed operating budget for the University is developed by the Vice President for Financial Planning and Budgeting, working with University Vice Presidents and Chancellors, utilizing a Responsibility Center Management budgeting approach. 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, the University's proposed operating budget is 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. Budget reports are reviewed and analyzed by the Executive Vice President for Finance and Administration and University Treasurer throughout the year and appropriate steps are taken to ensure that budgets are adhered to or adjusted to meet changed needs.

TABLE 7B
Operating Budget
($ in thousands)

Table 7B summarizes the University's 2018 Operating Budget as adopted by the Board of Governors. This information is presented on a budgetary basis.

Revenues:	**2018**
Student Tuition and Fees[1]	$1,249,060
Grants and Contracts	465,776
Facilities and Administrative Recoveries	106,047
Auxiliary Enterprises[1]	304,173
Healthcare Revenue	546,092
Affiliated and House Staff	266,038
State Appropriations	428,420
State Paid Fringe Benefits	633,588
Federal Appropriations	5,335
Governmental Student Aid	186,798
Contributions	40,086
Investment Income	54,432
Other	104,433
Total revenues	**$4,390,278**
Expenses:	
Salaries and Wages	$2,045,388
Fringe Benefits	906,129
Supplies and Other	230,807
Travel	38,106
Plant Operation and Maintenance	123,179
Debt Service	154,568
Other Operating Expense	245,399
Professional Services	258,739
Scholarships and Fellowships[1]	354,009
Deferred Maintenance	33,954
Total expenses	**$4,390,278**

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

Student Tuition and Fees	$251,509
Auxiliary Enterprises	41,703
Total (Scholarships and Fellowships)	$293,212

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 for 2016, annual research and other sponsored expenditures at Rutgers exceeded $656 million which ranks the University among the top 20 public universities nationally. Total awards for sponsored research and programs in 2017 were $608.7 million. Federal awards remain the most significant source of research funding for the University totaling $301.3 million in 2017. In 2017, the University received $150.8 million in National Institute of Health funding and $56.0 million in National Science Foundation funding. The University also receives substantial research funding from the State, foundations, and corporations. Funding from corporations increased by 25% in 2017.

Notable research items include:

- In 2017, Rutgers' innovation has led to 80 U.S. and 149 global patents, 150 new inventions, and six new startups formed, with 75 active start-ups moving ahead

- Rutgers received 2,506 research awards, 89 of which were valued at more than one million dollars, in 2017.

- Martin L. Yarmush, Paul and Mary Monroe Chair and Distinguished Professor, Biomedical Engineering, School of Engineering, was elected in 2017 to the National Academy of Engineering, among the highest professional distinctions accorded to an engineer. Dr. Yarmush was recognized for his "pioneering advances in cellular, tissue, and organ engineering and for leadership in applying metabolic engineering to human health."

- Between 2016 and 2017, in recognition of their contributions to innovation, education, and scientific leadership, 13 members of the Rutgers community have joined the ranks of elected Fellows of the American Association for the Advancement of Science (AAAS), the world's largest multidisciplinary scientific society. The election of Fellows recognizes members for their scientifically or socially distinguished efforts toward the advancement of science or its applications.

The University's research and sponsored grants and contracts awarded for the five years ended June 30, 2017 are shown below.

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

	2013	2014*	2015	2016	2017
Federal	$221.8	$272.1	$303.2	$335.5	$301.3
State of New Jersey	35.5	130.0	177.8	148.9	146.0
Corporate	19.8	23.8	31.0	39.7	49.6
Foundations/Other	84.3	91.8	100.5	113.8	111.8
	$361.4	$517.7	$612.5	$637.9	$608.7

* 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, 2017, 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
2013	$262,760	$170,141	$432,901
2014*	455,188	322,205	777,393
2015	455,194	326,690	781,884
2016	439,930	335,736	775,666
2017	435,175	372,336	807,511

* Effective July 1, 2013, data include RBHS.

The State's 2018 budget provided $428.4 million in State appropriations and $385.1 million in fringe benefits paid directly by the State for a total of $813.5 million. There can be no assurance that State appropriations will be received in amounts equal to the approved budgeted amount for any given year.

For 2019, the Governor has proposed appropriations for the University that would be maintained at 2018 levels.

Patient Services and Affiliate Revenues

In addition to its academic mission, research, and education, 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 approximately 1.7 million patient visits to RBHS health care facilities annually, and patients are served by over 800 physicians, dentists, mental health professionals, and other health practitioners. RBHS clinical facilities are located throughout the state, in 16 of 21 New Jersey counties—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 (part of RWJBarnabas Health), University Hospital in Newark, and other affiliates.

In 2017, RBHS net patient services revenue, including revenue related to patient care services generated within faculty practice operations, community health care centers, and other clinical activities, was $473.1 million, up from $436.3 million in 2016. In addition, RBHS health service contract revenue, including affiliate revenue and reimbursements for graduate medical education residency programs, was $238.1 million in 2017, up from $176.9 million in 2016.

Rutgers Health Group (RHG), a non-profit corporation, was incorporated on July 29, 2016 and officially commenced operations on July 1, 2017. Operating as "Rutgers Health," RHG is the University's integrated, inter-professional faculty group practice encompassing providers from Robert Wood Johnson Medical School, New Jersey Medical School, Cancer Institute of New Jersey, University Behavioral Health Care, School of Dental Medicine, and School of Nursing. The mission of RHG is to be a state-wide integrated faculty practice that attracts and retains the best providers and serves as the foundational component of a premier academic health center, an effective partner to patients, hospitals, community providers and other affiliates and a leader in delivering consistent, value-based healthcare that improves our patients' well-being. While RHG is legally separate from the University, the University is the sole corporate member of RHG and has various reserved powers with respect to RHG's operations.

In July 2017, RBHS signed a letter of intent with RWJBarnabas Health to partner and create the state's largest academic health care system dedicated to providing high-quality patient care, leading-edge research and world-class health and medical education that will transform and advance health care in New Jersey. The new venture will enhance the delivery and accessibility of evidence-based health care across the state; boost the recruitment of prominent academic, research and clinical practitioners; and strengthen the advancement of health science innovation and education. The alliance will result in a multi-specialty group comprised of more than 2,500 practitioners – one of the largest medical groups in the country.

Rutgers and RWJBarnabas Health officials have begun jointly recruiting leading academic, research and clinical practitioners in support of the proposed partnership. In 2017, Rutgers and RWJBarnabas Health jointly recruited Dr. Steven Libutti, a nationally renowned researcher and clinician to lead both the Rutgers Cancer Institute of New Jersey and the Cancer Services of RWJBarnabas.

RWJBarnabas Health and Rutgers will remain separate corporations; Rutgers faculty will remain Rutgers faculty and Rutgers will provide clinical services to RWJBarnabas Health through Rutgers Health Group. The newly formed academic health care system will create a joint committee for strategic planning and oversight.

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.

During 2017, the Foundation raised a record $209.1 million in new gifts and pledges. The most recent fundraising campaign was completed on December 31, 2014. The 2014 campaign goal was $1 billion, 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 raised during the campaign.

Gifts to the University are received through the Foundation 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, 2017.

TABLE 10
Total Fundraising and Gifts Received
($ in thousands)

Fiscal Year	Total Fundraising	Total Receipts
2013	$131,947	$107,363
2014*	148,424	124,892
2015	187,909	150,958
2016	165,220	140,015
2017	209,098	164,945

* Effective July 1, 2013, data include RBHS.

Endowment and Other Investments

As of June 30, 2017, the University's endowment and similar funds had an aggregate market value of $1,139.6 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, 2017.

TABLE 11
Endowment and Similar Funds
($ in thousands)

Fiscal Year	Estimated Fair Value
2013	$703,223
2014*	879,131
2015	916,227
2016	999,469
2017	1,139,605

* Effective July 1, 2013, data include RBHS.

The above table does not include funds held in trust by others and by the Foundation, which at June 30, 2017 had a market value of $81.6 million.

As of January 31, 2018, the University's endowment and similar funds had an aggregate market value of $1,225.5 million (unaudited).

Endowment Investment Management and Spending Policy

The long-term investment objective for the endowment as stated in the University's Investment Policy is to achieve a total return averaging at least the spending policy plus inflation, net of fees and expenses. The Board of Governors and Board of Trustees are responsible as fiduciaries for the management of the endowment and have charged the Joint Committee on Investments with active and independent oversight of the University's Investment Policy. The Joint Committee is assisted in its duties by the University's Endowment Office. Endowment assets are allocated to a diverse set of asset classes within ranges set forth in the Investment Policy. 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, 2017.

TABLE 12
Asset Allocation

Fund	Allocation
US Equity	22.1%
International Large Stocks	17.0%
International Emerging Stocks	3.9%
Private Equity	10.1%
Fixed Income	11.4%
Cash	2.8%
Hedge Funds	18.2%
Real Assets	14.5%
Total	100%

The LTIP's performance for the period ended June 30, 2017 is as follows:

TABLE 13
Long-Term Investment Pool Performance

	Return
1-Year	12.7%
3-Year	4.9%
5-Year	8.3%
10-Year	5.0%

The University's annual spending policy is to spend an amount not to exceed 4.00% 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 $2.13 billion in total cash and investments as of January 31, 2018 (unaudited). Of this amount, approximately $846 million were operating funds of the University with at least monthly liquidity.

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 period 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, 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 $402 million in funding from the State for capital projects from these and other State programs.

The major construction projects completed or in progress include:

- 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 an 87,000 square-feet of instructional and research space that physically links existing facilities and provides opportunities for synergy among all Life Science departments. Features include the expansion of the imaging suite and vivarium facilities.

- Construction of a new 100,000 square-feet facility which will have state-of-the-art teaching spaces consistent with the most current pedagogical trends in higher education, ranging from case study style lecture halls to SCALE-UP "Discovery Labs". Specialized nursing instructional spaces will include a range of clinical skills labs that simulate a variety of healthcare environments.

- Construction of a 57,000 square-feet addition to the existing William Levine Hall Building for the School of Pharmacy which will house two 300-seat auditorium, four 60-seat classrooms, four collaborative practice simulation laboratories, a community practice patient interaction simulation suite, small group study rooms, a centralized student common as well as administrative pharmacy space.

- Construction of a 104,000 square-feet new facility for the Richard Weeks Hall of Engineering which will feature an advanced infrastructure of classrooms, laboratories, and common space to facilitate key research and educational advancements.

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Outstanding Indebtedness of the University

Table 14 summarizes the short-term and long-term outstanding indebtedness of the University as of June 30, 2017.

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

	Final Maturity	Outstanding
General Obligation Refunding Bonds, 2002 Series A	2018	$ 11,400
General Obligation Bonds, 2009 Series F	2039	14,895
General Obligation Bonds, 2009 Series G	2039	66,800
General Obligation Bonds, 2010 Series H (Federally Taxable – Build America Bonds)	2040	390,990
General Obligation Refunding Bonds, 2010 Series I	2029	24,420
General Obligation Refunding Bonds, 2013 Series J	2036	317,655
General Obligation Refunding Bonds, 2013 Series K	2033	111,225
General Obligation Bonds, 2013 Series L	2043	328,645
General Obligation Bonds, 2016 Series M	2039	164,610
General Obligation Commercial Paper		85,670
Long-term notes		999
Other Long-Term Obligations		73,185
Capital Lease Obligations		331,731
Loan Payable		2,200
Total Indebtedness		**$1,924,425**

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, the Ninth Supplemental Indenture, and the Tenth 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 in conjunction with the final maturity of the 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, and the University is currently negotiating for a replacement facility. The University has the right and may elect to terminate the 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, 2017, the University has $85.67 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 Commercial Paper Liquidity Provider is obligated to purchase newly issued Commercial Paper issued to pay the principal of other Commercial Paper, subject to suspension or termination upon the occurrence of certain events. The Standby Commercial Paper Purchase Agreement will terminate on April 10, 2018 unless terminated prior to such date in accordance with its terms. The University is currently negotiating for a replacement facility.

As of August 1, 2017, the University entered into a Revolving Credit Agreement with Bank of America, N.A. to provide liquidity to support its General Obligation Commercial Paper Series E by making available a revolving line of credit. The Revolving Credit Agreement will expire on July 31, 2020.

Interest Rate Swaps

The University has entered into various interest rate swaps related to its Bonds as detailed in Table 15. As of February 28, 2018, the University had posted $0.4 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	$11,325	5/1/2027	SIFMA	3.824%	($1,445)
JP Morgan & Co.	$11,400	5/1/2018[1]	SIFMA	3.960%	($57)
Merrill Lynch	$100,000	11/1/2038	100% 3MO LIBOR	4.080%	($17,159)

[1] Counterparty has the option to terminate the swap should SIFMA average more than 7% per annum for 180 days.
[2] As of February 28, 2018.

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, 2017, the outstanding amount due on the loans was $0.2 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 auditors, 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 $8.3 billion as of July 1, 2017 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 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 established the Alternate Benefits Program and Trust. Through the program, Rutgers 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. 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 (OPEB)

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. Beginning 2018, with the issuance of GASB Statement No. 75, a new accounting standard for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB will take effect. Upon implementation, this standard could result in a liability to be recorded by the University for its portion of the State OPEB plan in which the University participates. The University is evaluating the impact of this new GASB statement.

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
2016-2017

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Governors and Trustees

During the Year Ended June 30, 2017

Board of Governors

Board of Trustees

Executive Vice President for Finance and Administration
and University Treasurer
Rutgers, The State University of New Jersey
83 Somerset Street – Room 305
New Brunswick, New Jersey 08901-1281

michael.gower@rutgers.edu
Phone: 848-932-4300
Fax: 732-932-4273

December 8, 2017

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, 2017. 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
Executive Vice President for Finance
and Administration, and University 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:

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, 2017, 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 represent approximately 34%, 16%, and 44%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those 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.

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

Summary of 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, 2017, 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, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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

KPMG LLP

Short Hills, New Jersey
December 8, 2017

Management's Discussion and Analysis (unaudited)

June 30, 2017

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 or Rutgers) at June 30, 2017, and its changes in financial position for the fiscal year then ended, with fiscal year 2016 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 2017, the financial reporting entity of Rutgers included 33 degree granting schools and colleges, offering more than 150 undergraduate majors, more than 200 graduate programs and degrees, with approximately 69,000 students enrolled. 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 an academic health care center providing medical education, clinical care and conducting research. The University also maintains educational services in many other communities throughout the State of New Jersey. The University operates research and institutional facilities on 6,073 acres in all 21 counties and 98 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 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.

In October 2016, the University implemented the first phase of new enterprise resource planning (ERP) systems. The key components of this phase included state-of-the-art cloud-based real-time systems for procure-to-pay (i.e., purchasing and accounts payable), general ledger, and project ledger systems. In connection with this implementation, the University adopted a new chart of accounts, and this implementation included a reevaluation of transaction classifications. As a result, reporting of financial data, in some cases, may not directly correspond to data as reported in prior years, particularly in functional classifications of expense. Accordingly, for fiscal year 2017, the financial statements and footnotes are in a single-year presentation as opposed to a comparative year format that has been used in previous years. In the Management Discussion and Analysis (MD&A) section of the University's fiscal year 2017 Annual Report, the University shows comparative data for fiscal years ended June 30, 2016 and 2017. In cases where these comparisons show significant year-over-year changes due to enhanced reporting with the new chart of accounts, the University has reclassified prior year amounts to conform with the current year presentation.

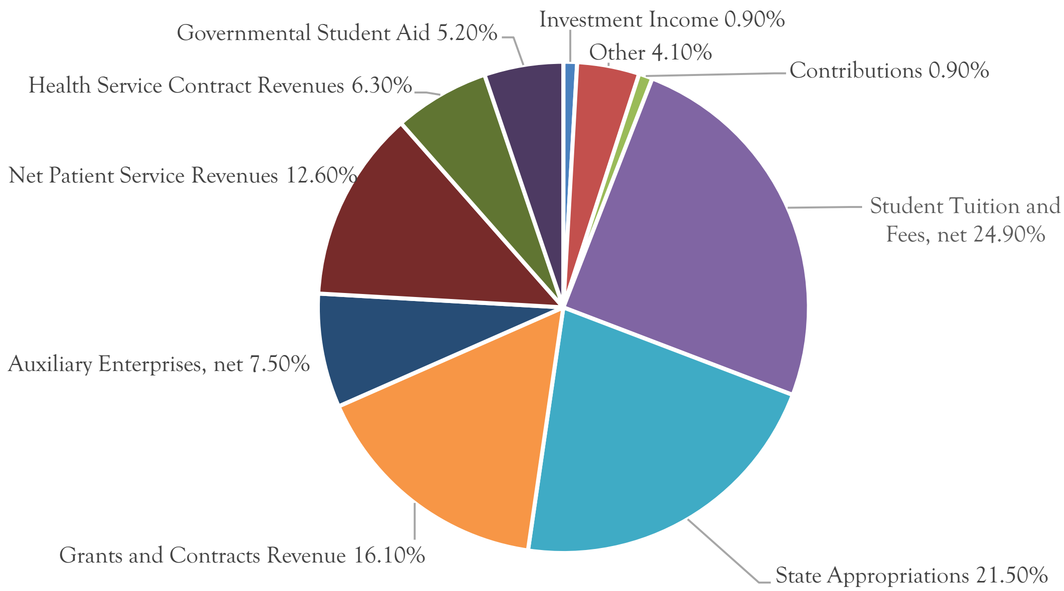
Financial Highlights

The University's financial condition at June 30, 2017, improved modestly with an increase in net position of $24.7 million. Total operating revenues increased by $97.0 million, or 3.8%, with increases of 0.6% in net student tuition and fees, 0.6% in auxiliary net revenues, 8.4% in net patient service revenues and 2.7% in other operating revenues partially offset by decreases of 2.0% in grant and contract revenue. A new category of revenues, health service contract revenues, has been added for fiscal year 2017 (see Note 5 – Net Patient Service Revenues and Health Service Contract Revenues). Operating expense increased by $225.2 million, or 6.3%, while net non-operating revenues increased by $82.2 million, or 8.6%, primarily as a result of an increase in fair value of investments.

Tuition revenue is a significant source of funding for the University. In fiscal 2017, the enrollment peak was 68,942 students compared to 67,556 students in fiscal 2016. Approved increases in tuition and fee rates of about 1.7% were offset by increases in scholarship allowances.

Annual appropriations from the State represent a vital part of the University's funding. In fiscal 2017, State appropriations, including operating aid and fringe benefits paid on-behalf of Rutgers by the State, increased as a result of higher pension and health care costs to $807.5 million, or 4.1% over fiscal 2016. State appropriations, as well as contributions, investment income, and governmental student aid, are shown as non-operating revenue.

As presented in the chart below, net student tuition and fees, state appropriations, grants and contracts revenue and net patient service revenues 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, 2017 and 2016 is as follows (dollars in thousands):

	2017	GASB 68 Adjustment	2017 Net of GASB 68	2016	GASB 68 Adjustment	2016 Net of GASB 68
Assets						
Current assets	$1,189,075	$ –	$1,189,075	$1,191,125	$ –	$1,191,125
Noncurrent assets						
Endowment, restricted and other noncurrent cash, and investments	1,287,235	–	1,287,235	1,319,456	–	1,319,456
Capital assets, net	3,575,173	–	3,575,173	3,439,243	–	3,439,243
Other assets	112,374	–	112,374	117,161	–	117,161
Total Assets	6,163,857	–	6,163,857	6,066,985	–	6,066,985
Deferred Outflows of Resources	583,172	(474,654)	108,518	379,367	(245,778)	133,589
Total Assets and Deferred Outflows of Resources	6,747,029	(474,654)	6,272,375	6,446,352	(245,778)	6,200,574
Liabilities						
Current liabilities	701,401	–	701,401	633,296	–	633,296
Noncurrent liabilities	3,988,425	(2,057,977)	1,930,448	3,752,206	(1,644,741)	2,107,465
Total Liabilities	4,689,826	(2,057,977)	2,631,849	4,385,502	(1,644,741)	2,740,761
Deferred Inflows of Resources	17,045	(17,045)	–	45,342	(45,342)	–
Net Position (Deficit)						
Net investment in capital assets	1,750,777	–	1,750,777	1,634,224	–	1,634,224
Restricted – nonexpendable	646,363	–	646,363	582,007	–	582,007
Restricted – expendable	459,394	–	459,394	471,944	–	471,944
Unrestricted	(816,376)	1,600,368	783,992	(672,667)	1,444,305	771,638
Total Net Position	$2,040,158	$1,600,368	$3,640,526	$2,015,508	$1,444,305	$3,459,813

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, cash and cash equivalents and investments that are restricted by donors or external parties as to their use, and capital assets. Receivables deemed to be collectible in more than a year are also included as noncurrent. Current assets decreased by $2.1 million from 2016 to 2017. This was primarily due to a decrease of $87.1 million in cash and cash equivalents, and short-term investments and an increase in accounts receivable of $86.2 million, both attributable largely to grant activity.

Deferred outflows of resources are the consumption of net position that is applicable to a future reporting period. In 2017, deferred outflows of resources increased $203.8 million primarily as a result of the adjustment for GASB 68 which is due to changes in the University's proportionate share of the net pension liability and the difference between assumptions and actual experience. Without this adjustment, deferred outflows of resources decreased $25.1 million in 2017 which is a result of the change in value of the swaps.

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 increased $68.1 million from $633.3 in 2016 to $701.4 in 2017. This was primarily due to 2002 Series A bonds maturing within the next year, and the current underlying liquidity facility agreement for 2009 Series G bonds expiring within the next year. A replacement facility agreement has not been implemented as of the day of this report. The University's current assets cover current liabilities by a factor of 1.7 times in 2017 and 1.9 times in 2016, an indicator of good liquidity and the ability to bear short term demands on working capital. The University's current assets also cover approximately four months of its total operating expenses, excluding depreciation in 2017 and 2016.

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 4.0% plus inflation net of fees and expenses. The investment objectives of the endowment are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. Most 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 12.7% and -0.5% in fiscal years 2017 and 2016, respectively. The average annual return over the 5-year period ending June 30, 2017 and 2016, was 8.3% and 5.7%, respectively.

The University distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is based on total return, not just cash earnings. The total distribution for the endowment was $40.5 million in fiscal 2017 and $38.1 million in fiscal 2016.

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 $82.5 million to $664.5 million for fiscal 2017. Term endowments are those funds received from donors that function as endowments until a specified event occurs. The University's term endowments increased by $5.9 million to $53.4 million in fiscal 2017. Quasi endowments primarily consist of unrestricted funds that have been designated by the University for long-term investment purposes, and therefore, act as endowments. The University's restricted and unrestricted quasi endowments increased by $51.7 million in fiscal 2017 to $421.7 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 $266.2 million, or 23.4%, can be classified as unrestricted net position in 2017 and $230.7 million, or 23.1% in 2016. 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, as well as other state bond programs.

The Building Our Future Bond Act approved by the voters of the State in 2012 authorized the issuance of State general obligation bonds totaling $750.0 million to help increase academic capacity at New Jersey institutions of higher education. The University will receive a total of $173.9 million from this program. The University recorded $38.8 million in revenue from this program in 2017 and $45.7 million in revenue in 2016.

In addition to the Building Our Future Bond Act, the State has also authorized the issuance of bonds to fund several higher education initiatives. The Higher Education Facilities Trust Fund (HEFT) Act authorized the New Jersey Educational Facilities Authority (NJEFA) 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 2017, the University recorded $14.6 million in revenue from the HEFT program. In 2016, the University recorded $23.6 million from this program.

NJEFA also issued bonds under the Higher Education Capital Improvement Fund Act (HECIF) to provide 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 a total of $112.3 million from this program. In 2017, the University recorded $21.0 million, and $32.5 million in revenue from these bonds in 2016.

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. Rutgers will receive a total of $3.3 million for several technology projects. The University recorded $0.1 million, and $0.5 million in revenue from this program in 2017 and 2016, respectively.

Finally, the State authorized NJEFA to issue bonds for the Higher Education Equipment Leasing Fund program 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. The University recorded $6.6 million, and $10.6 million in revenue from this program in 2017 and 2016, respectively.

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. On February 8, 2017, the Board of Governors approved a revised debt management policy to provide a strategic framework to manage debt in a manner that is consistent with the University's Strategic Plans, ensure access to capital markets and preserve and enhance the long-term financial health of the University.

In 2017, the University issued taxable commercial paper in the amount of $25.0 million to provide interim financing for certain capital projects. In 2016, the University issued 2016 Series M in the amount of $164.6 million and commercial paper in the amount of $3.0 million to refund Series 2003D and Series 2004 Certificates of Participation (COP).

The funds received from these State programs, University bonds and other funds received by the University have resulted in the $135.9 million increase in fiscal 2017 in net capital assets. 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 2017 include:

- 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 and Sciences consisting of approximately 2,500 seats of classroom space in the form of modern lecture halls as well as departmental office space.
- Renovation of 45,000 square feet of the former Hahne & Co. department store for the "Express Newark" program. The program will support cross-unit, cross-sector, cross-institutional publicly engaged scholarship collaborating with Newark artists, schools, and institutions. The renovated space will include portrait studios, print studios, galleries, and media laboratories.
- Renovation of 24,500 square feet of clinical teaching space for the School of Dental Medicine at the existing Oral Health Pavilion building. This project features 87 state-of-the-art clinical operatories that represent the environment in which students would ultimately practice.
- Renovation of 364,000 square feet of existing practice field space for the Marco Battaglia Football Practice Complex. The outdoor practice fields adjacent to High Point Solutions Stadium support the football team and men's and women's lacrosse programs. The complex includes all new, natural grass fields, new drainage and irrigation systems and a service building with restrooms.

Several major projects completed during fiscal 2016 include:

- 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 students to share space with faculty and deans in order to foster mentoring, cultural exchanges, and academic engagement.
- Construction of a 78,000 square foot facility for the Institute of 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 square feet as well as an addition to the building that will include stairs, elevator, and offices for the Department of English on the Camden Campus.

In addition, as of June 30, 2017 and 2016, 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 a 57,000 square foot addition to the existing William Levine Hall Building for the School of Pharmacy which will house two 300-seat auditoriums, four 60-seat classrooms, four collaborative practice simulation laboratories, a community practice patient interaction simulation suite, small group study rooms, a centralized student commons as well as administrative pharmacy space.
- Construction of a 104,000 square foot new facility for the Richard Weeks Hall of Engineering which will feature an advanced infrastructure of classrooms, laboratories, and common space to facilitate key research and educational advancements.

Net Pension Liability

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 2015, 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. 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 the deferred outflow of resources of $474.7 million and $245.8 million, a net pension liability of $2,058.0 million and $1,644.7 million and a deferred inflow of resources of $17.0 million and $45.3 million in 2017 and 2016, respectively.

The amounts recorded as a result of GASB 68 have been shown separately.

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 $180.7 million in 2017 and the fiscal year 2017 activity recorded was $51.7 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 $116.6 million in fiscal 2017, 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 $64.4 million in fiscal 2017.

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 a decrease of $12.6 million in fiscal 2017.

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 $12.4 million in unrestricted net assets for 2017. The pension expense increased to $156.1 million in fiscal 2017, resulting in a deficit of unrestricted net position of $816.4 million.

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 activities. 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 years ended June 30, 2017 and 2016 is as follows (dollars in thousands).

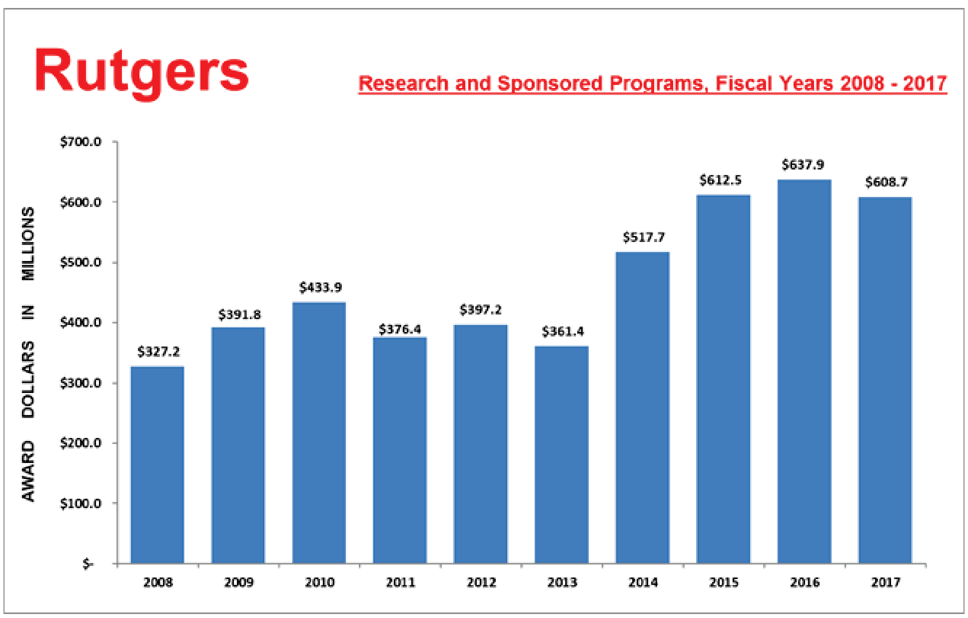
	2017	GASB 68 Adjustment	2017 net of GASB 68 Adjustment	2016	GASB 68 Adjustment	2016 net of GASB 68 Adjustment
Operating revenues						
Student tuition and fees (net of scholarship allowances)	$930,727	$ –	$930,727	$925,129	$ –	$925,129
Grants and contracts	602,696	–	602,696	614,986	–	614,986
Auxiliary enterprises (net of scholarship allowances)	282,384	–	282,384	280,618	–	280,618
Net patient service revenues	473,050	–	473,050	436,284	–	436,284
Health service contract revenues	238,117	_	238,117	176,929	_	176,929
Other operating revenues	148,886	–	148,886	144,946	–	144,946
Total operating revenues	2,675,860	–	2,675,860	2,578,892	–	2,578,892
Operating expenses	3,822,218	(156,063)	3,666,155	3,597,062	(95,834)	3,501,228
Operating loss	(1,146,358)	156,063	(990,295)	(1,018,170)	95,834	(922,336)
Non-operating revenues (expenses)						
State appropriations (including fringe benefits paid directly by the state)	807,511	–	807,511	775,666	–	775,666
Contributions	32,560	–	32,560	51,367	–	51,367
Endowment and investment income	34,349	–	34,349	23,539	–	23,539
Net increase/(decrease) in fair value of investments	118,046	–	118,046	(4,159)	–	(4,159)
Governmental student aid	193,547	–	193,547	188,625	–	188,625
Interest on capital asset related debt	(88,010)	–	(88,010)	(83,866)	–	(83,866)
Net other non-operating (expenses)/revenues	(56,052)	–	(56,052)	8,609	–	8,609
Net non-operating revenues	1,041,951	–	1,041,951	959,781	–	959,781
(Loss)/Income before other revenues	(104,407)	156,063	51,656	(58,389)	95,834	37,445
Other revenues	129,057	–	129,057	159,411	–	159,411
Increase in net position	24,650	156,063	180,713	101,022	95,834	196,856
Net position at beginning of year	2,015,508	1,444,305	3,459,813	1,914,486	1,348,471	3,262,957
Net position at end of year	$2,040,158	$1,600,368	$3,640,526	$2,015,508	$1,444,305	$3,459,813

Operating revenues represent 72.6% and 71.1% of total revenues in 2017 and 2016, respectively, excluding interest on capital asset related debt and net increase/ (decrease) in fair value of investments. Significant components of operating revenues include the following:

Student Tuition and Fees, net of scholarship allowances is 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, gifts raised by the Foundation and University funds. The University provided $279.5 million of a total $350.1 million of student aid directly to student accounts. The remaining $70.6 million was paid to students and is reflected as grant aid to students expense. Scholarship allowances allocated to tuition and fees amounted to $234.6 million. Another $44.9 million was allocated to residence fees, which are included in auxiliary revenues. Tuition and fees, net of scholarship allowances, increased $5.6 million in 2017. The change resulted primarily from approved increases in tuition and fee rates of approximately 1.7% and an enrollment peak of 68,942 for 2017 (67,556 in 2016) offset by an increase in scholarship allowances.

Grants and Contracts includes revenues for sponsored programs from federal, state, and nongovernmental grants and contracts that normally provide for the recovery of direct and indirect costs, or expenses. In 2017 and 2016, awards for new research grants and sponsored programs totaled $608.7 million and $637.9 million, respectively, a decrease of 4.6%. Federal awards for research were $301.3 million and $335.5 million in 2017 and 2016, respectively, a 10.2% decrease. Awards received from the State of New Jersey for research and sponsored programs were $146.0 million and $148.9 million, respectively, a decrease of 1.9%. Awards from nongovernmental sources amounted to $161.4 million and $153.5 million in 2017 and 2016, respectively, an increase of 5.1%.

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



In fiscal 2017, *Federal Grants and Contracts* revenue amounted to $284.5 million or 47.2% of total grants and contracts revenue. This year the University was awarded grants from various federal agencies including:

- Dr. Jeffrey Carson of Robert Wood Johnson Medical School received a large clinical trials "Myocardial Ischemia and Transfusion" from the National Institutes of Health for $3.3 million in year one of a 5 year grant. The National Institute of Neurological Disorders and Stroke (NINDS) awarded to Jay Tischfield, founding director of Rutgers University Cell and DNA Repository, RUCDR Infinite Biologics, $1.2 million to manage the NINDS stem cell repository and provide a comprehensive range of stem cell related services to researches worldwide investigating diseases such as Parkinson's and ALS.

- Dr. Manish Parashar, director of the RDI2 institute received a National Science Foundation grant entitled "Virtual Data Collaboratory - A Regional Cyberinfrastructure for Collaborative Data Intensive Science" for $4.0 million over 4 years.

- Dr. Paul Larrousse of the Bloustein School received a grant for the "National transit institute" from the Federal Transit Administration for $5.0 million over 2 years.

In fiscal 2016, *Federal Grants and Contracts* revenue amounted to $301.7 million or 49.1% of total grants and contracts revenue. This year the University was awarded grants from various federal agencies including:

- The National Institute of Neurological Disorders and Stroke (NINDS) awarded to Jay Tischfield, founding director of Rutgers University Cell and DNA Repository, RUCDR Infinite Biologics, $1.2 million to manage the NINDS stem cell repository and provide a comprehensive range of stem cell related services to researches worldwide investigating diseases such as Parkinson's and ALS.

- The National Institute for Health (NIH) awarded David Perlin, professor in the Rutgers New Jersey Medical School, $5.3 million to support the Center for Excellence in Translational Research program to develop therapeutic countermeasures to high-threat bacterial agents.

- The NIH also awarded Joachim Kohn $1.2 million to support his project on an investigational new drug application (IND) for intravenous cP12 and pre-IND studies of intravenous topical cNP5 for limiting burn injury progression.

- Elisa Bandera at the Rutgers Cancer Institute of New Jersey for research into obesity, related comorbidities, and breast cancer outcomes in African Americans was awarded $1.1 million from NIH.

In fiscal 2017, *State and Municipal Grants and Contracts* revenue amounted to $139.2 million or 23.1% of total grants and contracts revenue. The following is the most significant grant received this year:

- General (ret.) Mark Graham of Rutgers University Behavioral Health Care (Piscataway) received an award for "Improving veteran healthcare (vets4warriors)" from the New Jersey Department of Health for $2.2 million.

In fiscal 2016, *State and Municipal Grants and Contracts* revenue amounted to $153.8 million or 25.0% of total grants and contracts revenue. The following are some of the grants received this year from various state agencies:

- The New Jersey Department of Children and Families awarded Judy Postmus, associate professor and director, Center on Violence Against Women and Children; Sara Munson, executive director, Institute for Families; and Cassandra Simmel, associate professor, School of Social Work, an award totaling $1.0 million. The project is titled, "Adoption Certification Program".

- The New Jersey Department of Transportation awarded Charles Brown, adjunct professor, Edward J. Bloustein School of Planning and Public Policy, and senior research specialist, Alan M. Voorhees Transportation Center, an award totaling $0.6 million. The project is titled "New Jersey Bicycle and Pedestrian Resource Center" and is to motivate, educate and empower citizens to create safer and more accessible walking and bicycling environments through innovative research, education, and sharing of resources.

Finally, in fiscal 2017, *Nongovernmental Grants and Contracts* revenue amounted to $179.0 million or 29.7% of total grants and contracts revenue. Some of the awards received this year included the following:

- Dr. Jak Chakhalian of the Department of Physics and Astronomy received a grant entitled "Moore Investigator in quantum Materials: Novel Topological and Mott Phases in Artificial Complex Materials" from The Gordon and Betty Moore Foundation in the amount of $1.7 million.

- Dr. Veronique Dartois of the Public Health Research Institute at New Jersey Medical School received a grant entitled "A Dynamic Drug Delivery System (D3S) to Accelerate the Profiling of Early Discovery Compounds" from the Bill & Melinda Gates Foundation for $1.2 million in year one and up to $2.7 million for the life of the grant.

Finally, in fiscal 2016, *Nongovernmental Grants and Contracts* revenue amounted to $159.5 million or 25.9% of total grants and contracts revenue. Some of the awards received this year included the following:

- The Surdna Foundation awarded $0.5 million to principal investigator, Christopher Obropta, associate professor, Department of Environmental and Biological Services, and extension specialist in water resources, Rutgers Cooperative Extension, for a project titled, "New Technical Assistance Program for Combined Sewer Overflow Communities". The purpose of this project is to expand the statewide program that assists New Jersey communities in implementing green infrastructure solutions to storm-water challenges, targeting communities with combined sewer overflow systems.

- The Robert Wood Johnson Foundation awarded $0.8 million to principal investigator, Joel Cantor, distinguished professor, Department of Public Policy, and director, Center for State Health Policy, for a project titled "New Jersey Perspectives on Health and Well-Being Project". This funding will support development and implementation of polling under the New Jersey Perspectives on Health and Well-Being project.

Auxiliary Enterprises includes 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. For 2017, total Auxiliary revenues were $327.3 million and $282.4 million net of scholarship allowances of $44.9 million. Housing and dining revenues totaled $222.8 million, or 68.1%, of total auxiliary revenues. Housing and dining rates both increased by 1.7% in 2017. As noted earlier in the MD&A, with reporting enhancements implemented in fiscal 2017, certain revenues previously reported as Auxiliary revenues are now classified in Student Tuition and Fees Revenue. These amounts primarily related to student health, residence life and recreation services. Auxiliary net revenues increased slightly from $280.6 million in 2016, an increase of $1.8 million or 0.6%. The increase is a result of increases in rates and enrollment, offset by an increase in scholarship allowances.

Net Patient Service Revenues include revenues related to patient care services, which are generated within RBHS behavioral healthcare, faculty practice operations, community healthcare centers, cancer and contract activities, under contractual arrangements with governmental payers and private insurers. Importantly, as noted earlier in the MD&A, with reporting enhancements implemented in fiscal 2017, certain revenues previously reported in Net Patient Services, most significantly Health Service Contract Revenues, are now classified in a new financial statement line item, Health Service Contract Revenues. In fiscal 2017, Net Patient Services revenue was $473.0 million compared to $436.3 million for fiscal 2016 an increase of $36.8 million, or 8.4%. This increase is due to strategic growth of patient service activities.

Health Service Contract Revenues include revenues from physician services provided under agreements with certain New Jersey hospitals, such as University Hospital of Newark, Cooper Hospital, RWJ Barnabas Health and others. It also includes reimbursements for graduate medical education residency programs provided by House Staff in connection with RWJ Medical School, New Jersey Medical School, and Rutgers School of Dental Medicine. In fiscal 2017, Health Service Contract revenue was $238.1 million including affiliate revenues of $130.1 million and House Staff revenues of $108.0 million. The total related revenues for fiscal 2016 were $176.9 million including affiliate revenues of $94.0 million and House Staff revenues of $82.9 million representing an increase of $61.2 million, or 34.6%. The increase in both of these areas is due to strategic growth of patient service activities.

State Appropriations includes both operating assistance and fringe benefits paid on-behalf of Rutgers by the State. Total operating assistance for the year was $435.2 million and $439.9 million in 2017 and 2016, respectively. Fringe benefits paid on-behalf of Rutgers by the State totaled $372.3 million and $335.7 million in fiscal 2017 and 2016, respectively. The fringe benefit appropriation increase of $36.6 million is primarily due to increasing pension and healthcare costs.

Governmental Student Aid is also a significant component of non-operating 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 $86.7 million in 2017 from federal programs or a 4.4% increase over the $83.0 million received in 2016. The University also received $106.8 million from the State in 2017 or an increase of 1.1% over the $105.6 million received in 2016.

Other Revenues 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 $101.5 million in 2017 for capital grants and gifts compared with $124.7 million in 2016. The decrease from fiscal 2016 reflected the completion of building construction projects during fiscal 2017, including projects for Chemistry and Chemical Biology, The New Jersey Institute for Food, Nutrition, and Health (IFNH), and the Camden Nursing School. The University received $27.6 million in fiscal 2017 and $34.7 million in 2016 in gifts to add to our endowment as a result of the Foundation's activities.

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

Operating Expenses by Natural Classification (dollars in thousands)

	2017	GASB 68 Adjustment	2017 net of GASB 68 Adjustment	2016	GASB 68 Adjustment	2016 net of GASB 68 Adjustment
Salaries and Wages	$2,000,064	$ –	$2,000,064	$1,907,729	$ –	$1,907,729
Fringe Benefits	778,438	(156,063)	622,375	632,569	(95,834)	536,735
Supplies and Services	788,344	–	788,344	838,059	–	838,059
Grant Aid to Students	70,590	–	70,590	67,451	–	67,451
Depreciation	184,782	–	184,782	151,254	–	151,254
Total Operating Expenses	$3,822,218	($156,063)	$3,666,155	$3,597,062	($95,834)	$3,501,228

The natural classification of expenses demonstrates that the major expenditure of the University in 2017 is salaries and wages accounting for more than 52.3% of total operating expenses with the GASB 68 adjustment (53.0% in 2016) and 54.6% without the GASB 68 adjustment in 2017 (54.5% in 2016). Negotiated and other staff salary and wage increases for both 2016 and 2017 were approximately 2.0%. Fringe benefits also increased markedly this year; primarily driven by increases in pension and health care costs including pension expenses resulting from changes required under GASB 68. Pension expense for the GASB 68 adjustment was $95.8 million in 2016 and increased by $60.3 million to $156.1 million in 2017.

Economic Factors that will affect the future

The University continues to maintain a solid financial position. Overall, the higher education industry is challenged by rising student charges and increasing student debt loads. In response, the University has moderated increases in student tuition and fees with a 1.85% increase for in-state and out-of-state students in 2018. The federal and state governments have limited resources and are challenged to maintain stable levels of financial assistance for the University. The University will continue to meet its funding challenges through savings from increased efficiency and reduced administrative costs, revenue from non-traditional education programs, public-private partnerships, clinical care enterprises, increased grants and contracts, greater philanthropy, and other sources.

The University plays a crucial role in the New Jersey economy. Our annual operating budget of $3.9 billion supports nearly 58,000 jobs statewide and generates $5.2 billion of economic activity in New Jersey. Rutgers also has built state-of-the-art academic facilities and pursued other capital projects over the past five years that have supported nearly 12,000 short-term construction-related jobs and generated an additional $1.2 billion in economic activity. From our faculty's innovative research come new patents, licenses and startup companies that further stimulate the New Jersey economy. And in providing outstanding patient care and conducting vital clinical trials of new treatments and therapies, we employ more than 1,300 health care professionals.

During the past year, the University embarked on a new plan to update the institution's Enterprise Resource Planning (ERP) systems. With the implementation in October 2016, the major areas of focus include: creating a new University chart of accounts, implementing a more responsive suite of online tools for financial reporting, budgeting and planning, expanding the use of a streamlined, paperless system for procurement, and finally, to support faculty research, a new implementation of products for sponsored projects, pre-award function, integrated financial management and general research administration.

The University continues to attract a high quality, diverse population of students. Growth in the size of the first-year classes has led to an overall enrollment increase of more than 1,300 students in the fall 2017 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. New capital construction in progress includes the renovation of buildings in Newark to support the Express Newark Initiative and upgraded space for the Newark Biology, Chemistry and Neuroscience departments, a new Nursing and Science Building in Camden, additions to William Levine Hall at the Ernest Mario School of Pharmacy and construction of a Chemistry and Chemical Biology facility, which will be a new academic building in New Brunswick slated to be completed in the fall of 2017. 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, 2017
(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
	2017	2017	2017
ASSETS:			
Current Assets			
Cash and Cash Equivalents	$267,769	$1,389	$1,672
Cash and Cash Equivalents - Restricted	–	27,682	5,045
Short-Term Investments	453,246	–	58,514
Short-Term Investments - Restricted	–	5,853	–
Accounts Receivable, net	456,899	4,215	–
Contributions Receivable, net – Current Portion	–	35,250	–
Inventories	3,868	–	–
Prepaid Expenses and Other Assets	7,293	675	52
Total Current Assets	1,189,075	75,064	65,283
Noncurrent Assets			
Cash and Cash Equivalents	17,112	–	–
Cash and Cash Equivalents - Restricted	164,994	–	–
Long-Term Investments	264,511	2,090	–
Long-Term Investments - Restricted	840,618	7,155	–
Accounts Receivable, net	111,000	–	–
Contributions Receivable, net – Noncurrent Portion	–	39,271	–
Cash Surrender Value of Whole Life Insurance Policies	–	712	–
Other Noncurrent Assets	1,374	–	–
Capital Assets, net	3,575,173	–	56
Total Noncurrent Assets	4,974,782	49,228	56
TOTAL ASSETS	6,163,857	124,292	65,339
DEFERRED OUTFLOWS OF RESOURCES:			
Loss on Refunding	80,040	–	–
Pension Related	474,654	–	–
Interest Rate Swaps	28,478	–	–
TOTAL DEFERRED OUTFLOWS OF RESOURCES	583,172	–	–
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,747,029	124,292	65,339

(Continued)

STATEMENT OF NET POSITION
June 30, 2017
(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
	2017	2017	2017
LIABILITIES:			
Current Liabilities			
Accounts Payable and Accrued Expenses	377,995	2,739	27,132
Payable to Rutgers, The State University of New Jersey	–	–	16,296
Unearned Revenue	90,388	15	–
Payroll Withholdings	19,532	–	–
Other Payables	2,267	–	–
Annuities Payable – Current Portion	–	731	–
Commercial Paper	85,670	–	–
Long-Term Liabilities - Current Portion	125,549	–	–
Total Current Liabilities	701,401	3,485	43,428
Noncurrent Liabilities			
Accounts Payable and Accrued Expenses	46,292	470	–
Unearned Revenue	63,274	–	–
Derivative Instruments	28,478	–	–
Annuities Payable – Noncurrent Portion	–	5,940	–
Net Pension Liability	2,057,977	–	–
Long-Term Liabilities – Noncurrent Portion	1,792,404	–	–
Total Noncurrent Liabilities	3,988,425	6,410	–
TOTAL LIABILITIES	4,689,826	9,895	43,428
DEFERRED INFLOWS OF RESOURCES:			
Pension Related	17,045	–	–
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,706,871	9,895	43,428
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	1,750,777	–	–
Restricted for			
Nonexpendable			
Instruction	274,227	1,999	–
Scholarships and Fellowships	282,349	3,719	–
Other	89,787	860	–
Expendable			
Instruction	166,238	9,901	–
Research	39,943	23,670	–
Scholarships and Fellowships	80,113	8,794	–
Loans	73,062	–	–
Capital Projects	35,972	36,469	–
Debt Service Reserve	13,563	–	–
Healthcare and Professional Services	11,397	–	–
Other	39,106	22,656	–
Unrestricted	(816,376)	6,329	21,911
TOTAL NET POSITION	$2,040,158	$114,397	$21,911

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017
(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
	2017	2017	2017
OPERATING REVENUES:			
Student Tuition and Fees (net of scholarship allowances of $234,661 in 2017)	$930,727	$ –	$ –
Federal Grants & Contracts	284,458	–	–
State & Municipal Grants & Contracts	139,189	–	–
Nongovernmental Grants & Contracts	179,049	32,515	–
Auxiliary Enterprises (net of scholarship allowances of $44,867 in 2017)	282,384	–	–
Net Patient Service Revenues	473,050	–	121,571
Health Service Contract Revenues	238,117	–	–
Other Operating Revenues	148,886	5,504	196
Total Operating Revenues	2,675,860	38,019	121,767
OPERATING EXPENSES:			
Salaries and Wages	2,000,064	13,947	4,270
Fringe Benefits	778,438	5,536	682
Supplies and Services	788,344	10,406	117,914
Grant Aid to Students	70,590	–	–
Depreciation	184,782	–	46
Distributions to Rutgers, The State University of New Jersey	–	114,446	–
Distributions to Douglass Associate Alumnae	–	10	–
Total Operating Expenses	3,822,218	144,345	122,912
Operating Loss	(1,146,358)	(106,326)	(1,145)

(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017
(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
	2017	2017	2017
NON-OPERATING REVENUES (EXPENSES):			
State Appropriations	435,175	–	–
State Paid Fringe Benefits	372,336	–	–
Administrative Fees and Support from Rutgers, The State University of New Jersey	–	24,387	–
Noncash Support from Rutgers, The State University of New Jersey	–	2,013	–
Federal Appropriations	6,371	–	–
Federal Student Aid	86,710	–	–
State Student Aid	106,837	–	–
Contributions	32,560	37,567	–
Endowment and Investment Income (net of investment management fees for the University of $3,385 in 2017)	34,349	381	1,146
Net Increase in Fair Value of Investments	118,046	303	1,863
Interest on Capital Asset Related Debt	(88,010)	–	–
Loss on Disposal of Capital Assets	(1,807)	–	–
Other Non-operating (Expenses)/Revenues	(60,616)	337	–
Total Net Non-operating Revenues	1,041,951	64,988	3,009
(Loss)/Income before Other Revenues	(104,407)	(41,338)	1,864
Capital Grants and Gifts	101,484	29,576	–
Additions to Permanent Endowments	27,573	27,914	–
Increase in Net Position	24,650	16,152	1,864
Net Position - Beginning of the Year	2,015,508	98,245	20,047
Net Position - End of the Year	$2,040,158	$114,397	$21,911

See accompanying notes to the financial statements.

RUTGERS
THE STATE UNIVERSITY OF NEW JERSEY

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017
(dollars in thousands)

	Rutgers, The State University of New Jersey
	2017
Cash Flows from Operating Activities:	
Student Tuition and Fees	$925,660
Research Grants and Contracts	544,739
Services to Patients	473,732
Payments to Employees and for Benefits	(2,330,407)
Payments to Suppliers	(746,884)
Payments for Grant Aid to Students	(70,590)
Collection of Loans to Students and Employees	11,957
Loans to Students and Employees	(10,099)
Auxiliary Enterprises Receipts	280,849
Health Service Contract Receipts	228,959
Other Receipts	58,254
Net Cash Used by Operating Activities	(633,830)
Cash Flows from Noncapital Financing Activities:	
State Appropriations	434,777
Federal Appropriations	9,143
Contributions for other than Capital Purposes	32,560
Federal and State Student Aid	200,102
Contributions for Endowment Purposes	27,573
Net Cash Provided by Noncapital Financing Activities	704,155
Cash Flows from Financing Activities:	
Proceeds from Capital Debt and Leases	29,888
Capital Grants and Gifts Received	65,626
Purchases of Capital Assets and Construction in Progress	(288,774)
Principal Paid on Capital Debt and Leases	(57,999)
Interest Paid on Capital Debt and Leases	(92,743)
Net Cash Used by Financing Activities	(344,002)
Cash Flows from Investing Activities:	
Proceeds from Sales and Maturities of Investments	889,536
Investment Income	34,349
Purchase of Investments	(801,315)
Net Cash Provided by Investing Activities	122,570
Net Decrease in Cash and Cash Equivalents	(151,107)
Cash and Cash Equivalents - Beginning of the year	600,982
Cash and Cash Equivalents - End of the year	449,875

(Continued)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017
(dollars in thousands)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	**2017**
Operating Loss	(1,146,358)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
State Paid Fringe Benefits	372,336
Depreciation	184,782
Provision for Bad Debts	25,434
Changes in Assets and Liabilities:	
Receivables	(191,723)
Inventories	264
Prepaid Expenses and Other Assets	916
Accounts Payable and Accrued Expenses	(30,572)
Unearned Revenue	(2,632)
Payroll Withholdings	(2,302)
Other Payables	(38)
Net Pension Liability	156,063
Net Cash Used by Operating Activities	$(633,830)

Non-Cash Investing and Financing Activities	**2017**
Net increase in accrued capital assets	$16,496
Change in fair value of derivatives	19,955
Net increase in fair value of investments	118,046
Loss on defeasance of Higher Education CIF bonds	1,254

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 33 degree granting 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 and joined 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) and the University Physician Association of New Jersey, Inc., and Affiliate (UPA). Rutgers Health Group, Inc. (RHG), is a new unit and its operation commenced on July 1, 2017 (see Note 20).

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 it 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, Liberty Plaza, 335 George Street, Floor 2, New Brunswick, NJ 08901.

UPA, a not-for-profit organization, was incorporated on August 16, 1984. Located in Newark, New Jersey, its primary purpose was to support 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 the University and UPA, the effect of which is that Rutgers succeeds to UMDNJ's obligations under the agreement. The Affiliation Agreement was further amended so that the term now extends through July 1, 2020.

UPA became a component unit of the University due to the integration under the Act and meets the criteria to be reported as a discretely presented component unit of the University since there is a financial benefit and as it would be misleading to exclude UPA 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 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 which are included in non-current restricted cash. The University reclassifies net overdrafts from Cash and Cash Equivalents to Accounts Payable and Accrued Liabilities. For 2017, this account totaled $33.8 million. Noncurrent unrestricted cash and cash equivalents consist of funds that are not externally restricted and are mostly comprised of long-term insurance claim reserves. Noncurrent restricted cash and cash equivalents are externally restricted to maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets or collateral requirements for interest rate swaps, or are related to endowed funds.

Investments

Investments are recorded in the statement of net position at fair value, amortized cost and net asset value depending on asset type. Please refer to Note 3 – Cash and Cash Equivalents and Investments for further details about investments at fair value and net asset value. Commercial paper are held at amortized cost. 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 are classified as noncurrent assets in the statement of net position. 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 (decrease) 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 $65.6 million at June 30, 2017. Income derived from such irrevocable trust funds held by others, aggregating approximately $2.1 million in 2017, is reported in the accompanying financial statements as non-operating 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. NJHF is not considered a component unit within the University. However, 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, equipment, and 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 equipment is calculated using the straight-line method over the assets' estimated useful lives, ranging from 5 to 50 years. Beginning in 2017, the components of certain buildings (i.e., those with a cost in excess of $15 million and that have greater than 30% of assignable square footage allocated to organized research) are depreciated over the estimated useful life of those components. The useful life of those building components range from 10 to 50 years and this change resulted in approximately $36 million of depreciation expense in 2017. Library books totaling approximately 6.3 million volumes in 2017 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 acquisition 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 in the following fiscal year. It also includes cash received from grant and contract sponsors which has not yet been earned under the terms of the agreement. 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 service 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 payers and others. Amounts recorded are net of allowances to give recognition to differences between charges and reimbursement rates from third party payers. Reimbursement from third party payers 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.

Health service contract revenues include revenues related to health service contract activities and are recorded in the period in which the services are provided. This includes contractual billings for physician services under affiliate agreements with certain New Jersey hospitals and physician services for house staff, which is principally comprised of reimbursements for salaries and fringe benefits, paid by the University for physician services provided through graduate medical education residency programs.

Revenue from State appropriations is recognized in the fiscal year for 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. Non-operating 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 a non-operating expense.

Grant Aid to Students

Grant aid to students 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 non-operating 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 $78.1 million during the year ended June 30, 2017, from the Federal Pell Grant program, and $98.4 million during the year ended June 30, 2017, 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 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, 2017, the University disbursed $392.0 million under the Federal Direct 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 University, Issued but Not Yet Effective

In June 2015, the GASB issued Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This 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 disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017, which is fiscal year 2018. The University is evaluating the impact of this new statement.

The University adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). This statement was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and that a government recognizes revenue when the resources become applicable to the reporting period. GASB 81 will be effective for reporting periods beginning after December 15, 2016, which is fiscal year 2018, and should be applied retroactively. The University is evaluating the impact of this new statement.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This statement requires a government entity to recognize an asset retirement obligation when the liability is incurred and reasonably estimable. The government entity would measure the obligation based on its best estimate of the current value of outlays expected to be incurred. This GASB Statement is effective for financial reporting periods beginning after June 15, 2018, which is fiscal year 2019. The University is evaluating the impact of this new statement.

In March 2017, the GASB issued Statement No. 85, *Omnibus* (GASB 85). This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits). The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which is fiscal year 2018. The University is evaluating the impact of this new statement.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the University's fiscal year beginning July 1, 2017. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with resources other than the proceeds of the refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. In addition, this Statement revises existing standards for prepaid insurance associated with extinguished debt. The University is evaluating the impact of this new statement.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2020. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The University is evaluating the impact of this new statement.

NOTE 2 – ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The University adopted GASB Statement *No. 80, Blending Requirements for Certain Component Units* – An Amendment of GASB Statement No. 14 (GASB 80). This statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB 39. GASB 80 was effective for reporting periods beginning in fiscal 2017. There was no impact to the University's financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The University's cash and cash equivalents consist of the following at June 30, 2017:

	2017
Money Market Funds	$254,412
Cash and Deposits	195,463
Total Cash and Cash Equivalents	$449,875

The University's net cash and cash equivalents balance at June 30, 2017, includes a cash book balance of $195.5 million. The actual amount of cash on deposit in the University's bank accounts at June 30, 2017, was $208.7 million. Of this amount, $1.3 million was insured by the Federal Deposit Insurance Corporation at June 30, 2017. At June 30, 2017, $135.3 million was collateralized, and cash and cash equivalents in excess of these balances were uncollateralized.

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, professional investment staff and a 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 goal of the endowment is to attain a total return of at least 4.0% plus inflation, fees, and costs. In 2017, the University's annual spending policy was amended to an amount not to exceed 4.0% of a trailing 13-quarter average of the Long-Term Investment Pool's market values.

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

The University's investments consist of the following at June 30, 2017 (dollars in thousands):

	2017
Common Stock	$145,400
Government Agencies	3
Government Bonds	68,493
Certificates of Deposit (CD's)	1,978
Corporate Bonds	2,457
Mutual Funds – Equity Securities	511,944
Mutual Funds – Fixed Income Securities	357,164
Fixed Income Fund	29,651
Hedge Fund	202,088
Private Equity	121,290
Real Estate	54,073
Real Assets	59,508
Other	4,326
Total	$1,558,375

The Hedge Fund description includes: Credit, Long/Short Equity, Global Macro, Multi-Strategy Hedge Funds and Other. In addition, the Private Equity description includes Venture Capital.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly

Level 3 – unobservable inputs for an asset or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following is a description of the valuation methodologies used for instruments measured at fair value:

All or a portion of the following categories were classified in Level 1 of the hierarchy as they are valued using prices quoted in active markets: Common Stock, Mutual Funds – Equity Securities, Mutual Funds – Fixed Income Securities and Certificates of Deposit.

All or a portion of the following categories were classified in Level 2 of the hierarchy as they are valued using prices based on bid evaluations or quoted prices on an inactive market: Mutual Funds – Equity Securities, Corporate Bonds, Mutual Funds – Fixed Income Securities, Government Agencies, and Government Bonds.

Level 3 assets within the Real Asset category include real asset limited partnership interests where the investments are valued based on unobservable inputs such as analysis on current oil & gas reserves, future production estimates and NYMEX futures prices. Included in the Other category is a captive, pooled insurance vehicle for which the University has a long-term commitment and whose shares are not readily available, and valued based upon the University's paid-in capital to the vehicle as well as its share of retained earnings from underwriting profits.

The University's interests in alternative investment funds are generally reported at the net asset value or its equivalent (NAV) reported by the fund managers and assessed as reasonable by the University, which is used as a practical expedient to estimate the fair value of the University's interest therein. Investments measured at NAV are not categorized in the fair value hierarchy.

The following tables summarize the University's investments by strategy type as of June 30, 2017 (dollars in thousands):

	2017			
		Investments Measured at Fair Value		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Common Stock	$145,400	$145,400	$ –	$ –
Government Agencies	3	–	3	–
Government Bonds	68,493	–	68,493	–
Certificates of Deposit (CD's)	1,978	1,978	–	–
Corporate Bonds	2,457	–	2,457	–
Mutual Funds – Equity Securities	511,944	226,701	285,243	–
Mutual Funds – Fixed Income Securities	357,164	72,519	284,645	–
Real Assets	6,888	–	–	6,888
Other	4,326	–	–	4,326
Subtotal	$1,098,653	$446,598	$640,841	$11,214

Investment Type	Net Asset Value
Private Equity	$85,271
Real Estate	54,073
Real Assets	52,620
Venture Capital	36,019
Fixed Income Fund	29,651
Credit Hedge Funds	47,880
Long/Short Equity Hedge Funds	52,830
Global Macro Hedge Funds	14,813
Multi-Strategy Hedge Funds	86,284
Other Hedge Funds	281
Subtotal	459,722
Total	$1,558,375

Investments Measured at Net Asset Value

In addition to traditional stocks and fixed-income securities, the University also holds alternative investment funds including hedge fund, private equity, venture capital, real estate and real asset strategies. Alternative investments are typically subject to restrictions that limit the University's ability to withdraw capital after such investment and, most often in hedge funds, limit the amount that may be withdrawn as of a given redemption date. The redemption terms of the University's investments in hedge fund strategies funds vary greatly (as described below). Generally, the University has no discretion to withdraw its investments in private equity, venture capital, real estate, and real asset funds; distributions are made when sales of assets are made within the funds.

The University is obligated in most alternative strategies to fund investment opportunities as they arise up to specified commitment levels over a period of several years. These commitments have fixed expiration dates and other termination clauses. The following table represents the unfunded commitments, redemption frequency and redemption notice period for investments measured at NAV as of June 30, 2017 (dollars in thousands):

Investment Type	2017 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity	$ 105,944	Illiquid	N/A
Real Estate	19,937	Illiquid	N/A
Real Assets	41,190	Illiquid	N/A
Venture Capital	17,196	Illiquid	N/A
Fixed Income Fund	6,787	Illiquid	N/A
Credit Hedge Funds	N/A	Quarterly, Annually	45 - 90 days
Long/Short Equity Hedge Funds	N/A	Monthly, Quarterly, Annually	45 - 60 days
Global Macro Hedge Funds	N/A	Quarterly	90 days
Multi-Strategy Hedge Funds	N/A	Quarterly, Semi-Annually, Annually, Rolling Two-years	60 - 90 days
Total	$ 191,054		

Because of the inherent uncertainties of valuation, these net asset values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

Management's estimate of the lives of the funds could vary significantly depending on the investment decisions of the external fund managers, changes in the University's portfolio, and other circumstances. Furthermore, the University's obligation to fund the commitments noted above may be waived by the fund manager for a variety of reasons including market conditions and/or changes in investment strategy.

The University does have various sources of internal liquidity at its disposal, including cash and cash equivalents, which are available to fund the required commitments.

Strategy Descriptions

Private Equity – Funds that typically invest in private companies or engage in buyouts of public companies with the intent of improving their portfolio companies by investing in their growth as well as implementing operational and financial best practices. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Real Estate – This strategy includes funds that invest in the equity or debt of real estate assets or businesses related to the real estate industry. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Real Assets – This strategy includes funds that invest in businesses or physical commodities in a wide variety of asset classes including but not limited to - energy, infrastructure, metals and mining, and other commodity-related industries. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Fixed Income Fund – Include funds that invest throughput capital structure. Typical investments may include senior secured, unsecured, subordinated or mezzanine loans, corporate credit, non-performing loans, and various other credit investments. One strategy is implemented through an illiquid vehicle and cannot be redeemed. The remaining term of the investment is 4 - 6 years, including extensions.

Venture Capital – Funds that invest in early, mid, and late stage high growth companies, which are typically at the forefront of innovation in their specific fields. These are typically higher risk/reward opportunities in the fields of technology and medicine of which the companies will generally have negative cash flow at the start. These strategies are implemented through illiquid vehicles and cannot be redeemed. The investment periods of these funds typically range from 2 – 5 years with full terms of 10 – 12 years. Capital is distributed back as the fund's investments are liquidated over that time period.

Credit Hedge Funds – Strategies that typically invest both long and short in high yield and high-grade bonds, structured products, and distressed debt strategies that take advantage of corporate securities in default, under bankruptcy protection, in distress, or in liquidation. Two of the current investments within the portfolio have redemption restriction mechanisms whereas once a redemption is submitted the investor can only receive 25% of its capital per quarter.

Long/Short Equity Hedge Funds – Strategies that typically invest in long and short positions primarily in publicly traded equities. Within this portfolio there is one position that currently has a redemption restriction until April 1, 2018 and will revert to quarterly liquidity once that restriction has passed.

Global Macro Hedge Funds – Strategies which base its exposures on economic and political views and outcomes from around the world and in many markets. Funds of this nature can invest in a wide variety of securities such as equity, fixed income, currencies, commodities, and futures markets.

Multi-Strategy Hedge Funds – Multi-strategy hedge funds consist of variety of investment strategies such as equity long/short, convertible bond arbitrage, credit, merger and statistical arbitrage, event driven, etc. in order to lower and diversify risk as well as reduce volatility.

Other Hedge Funds – Legacy hedge fund positions which have been redeemed from but continue to be liquidated.

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 investments that are subject to interest rate risk at June 30, 2017 (dollars in thousands):

	2017				
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Government Bonds	$68,493	$45,187	$20,840	$998	$1,468
U.S. Government Agencies	3	–	–	3	–
Corporate Bonds	2,457	–	1,069	762	626
Certificate of Deposits	1,978	416	1,517	45	–
Mutual Funds – Fixed Income Securities	357,164	357,164	–	–	–
Total	$430,095	$402,767	$23,426	$1,808	$2,094

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 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, 2017, 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	2017
U.S. Government Agencies and Bonds	AA+	$68,496
Certificate of Deposit	AAA	1,978
Corporate Bonds	AAA	525
Corporate Bonds	A+	625
Corporate Bonds	A	1,307
Mutual Funds – Fixed Income Securities	Not Rated	357,164
Money Market Funds	AAA	254,412
Total		$684,507

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, 2017, the University's investment securities were not subject to custodial credit risk.

Investments - Endowment Funds

Most of the endowment funds assets are invested 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, 2017, the fair value of the Long-Term Investment Pool was $1,106.1 million. In addition, the aggregate endowment market value of funds separately invested was $33.5 million at June 30, 2017. The investment appreciation was $121.7 million at June 30, 2017. 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.

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, 2017 (dollars in thousands):

	Accounts Receivable	Allowance	Net 2017
Government Grants and Other Sponsored Programs Receivable	$180,419	$4,690	$175,729
Construction Related Receivable	58,491	–	58,491
Student Notes Receivable	72,951	5,933	67,018
Patient Accounts Receivable	64,152	15,268	48,884
Federal and State Governments Receivable	72,905	–	72,905
Student Accounts Receivable	43,561	6,832	36,729
Health Service Contract Receivable	90,662	10,309	80,353
Other Receivable	30,667	2,877	27,790
Total	$613,808	$45,909	$567,899

The allowances for doubtful accounts and notes are based upon management's best estimate of uncollectible accounts and notes at June 30, 2017, considering type, age, collection history and other appropriate factors.

NOTE 5 – NET PATIENT SERVICE REVENUES AND HEALTH SERVICE CONTRACT REVENUES

Net patient service revenues include revenues related to patient care services, which are generated within RBHS behavioral healthcare, community healthcare centers, cancer and contract activities and the operations of faculty practice plans.

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 $85.1 million in 2017.

Net patient service revenues are comprised of the following at June 30, 2017 (dollars in thousands):

	2017
Gross Charges	$786,806
Deductions from Gross Charges	
Contractual and Other Allowances	(290,342)
Provision for Bad Debts	(23,414)
Net Patient Service Revenues	$473,050

Health Service Contract include revenues related to health service contract activities. This includes providing physician services under affiliate agreements with certain New Jersey hospitals (such as University Hospital of Newark, Cooper Hospital, RWJ Barnabas Health and others). It also includes physician services for house staff, which is comprised of reimbursements for graduate medical education residency programs in connection with RWJ Medical School, New Jersey Medical School and Rutgers School of Dental Medicine. Health Service Contract Revenues totaled $238.1 million, which included reimbursement for House Staff salaries, fringe benefits and insurance of $108.0 million and billings under other contractual arrangements of $130.1 million.

NOTE 6 – CAPITAL ASSETS

The detail of capital assets activity for the year ended June 30, 2017 is as follows (dollars in thousands):

	July 1, 2016	Additions	Retirements/ Capitalization	June 30, 2017
Capital Assets Not Being Depreciated:				
Land	$77,926	$ –	$724	$77,202
Capitalized Art Collections	60,606	709	–	61,315
Construction in Progress	401,159	284,144	283,375	401,928
Total	539,691	284,853	284,099	540,445
Capital Assets Being Depreciated:				
Land Improvements	357,994	29,719	78	387,635
Buildings	4,318,451	251,638	514	4,569,575
Equipment	950,143	38,311	207,163	781,291
Total	5,626,588	319,668	207,755	5,738,501
Less Accumulated Depreciation:				
Land Improvements	268,439	14,324	–	282,763
Buildings	1,686,361	132,462	130	1,818,693
Equipment	772,236	37,996	207,915	602,317
Total	2,727,036	184,782	208,045	2,703,773
Net Capital Assets Being Depreciated	2,899,552	134,886	(290)	3,034,728
Total Capital Assets, net	$3,439,243	$419,739	$283,809	$3,575,173

During 2017, the University capitalized interest expense of $3.7 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, 2017 (dollars in thousands):

	2017
Vendors	$166,223
Accrued Salaries and Benefits	83,064
Compensated Absences	72,587
Workers Compensation	34,931
Interest Payable	11,481
Retainage	11,463
Other Accrued Expenses	44,538
Total Accounts Payable and Accrued Expenses	$424,287

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2017, is as follows (dollars in thousands):

	July 1, 2016	Additions	Reductions	June 30, 2017	Current Portion
Accounts Payable and Accrued Expenses	$439,788	$50,158	$65,659	$424,287	$377,995
Net Pension Liabilities	1,644,741	605,819	192,583	2,057,977	–
Unearned Revenue	193,466	105,057	144,861	153,662	90,388
Long-Term Liabilities	1,969,327	44,604	95,978	1,917,953	125,549
Total Noncurrent Liabilities	$4,247,322	$805,638	$499,081	$4,553,879	$593,932

NOTE 9 – COMMERCIAL PAPER

The University has a combined taxable and tax-exempt commercial paper program that provides for interim or short-term financing of various capital projects, equipment, refundings and for other lawful purposes. The Board approved a maximum outstanding at any time of $500.0 million, provided the maximum principal amount will not exceed the amount secured by a Liquidity Facility. The current Liquidity Facility is provided by Wells Fargo Bank, N.A. (the Liquidity Provider) up to $200.0 million, through a Standby Commercial Paper Purchase Agreement, that terminates on April 10, 2018. The University has covenanted with the Liquidity Provider to maintain a Liquidity Ratio of 0.50 to 1.00 in fiscal year 2017. The University was in compliance with the covenant at June 30, 2017.

Commercial paper activity as of June 30, 2017, is as follows (dollars in thousands):

	July 1, 2016	Additions	Retirements	June 30, 2017
Taxable	$35,995	$25,000	$2,170	$58,825
Tax-exempt	29,613	–	2,768	26,845
Total Short-Term Liabilities	$65,608	$25,000	$4,938	$85,670

NOTE 10 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, is as follows (dollars in thousands):

	Maturity Date	Interest Rates	July 1, 2016	Additions	Retirements and Payments	June 30, 2017	Current Portion
Notes:							
U.S. Department of Education	2021	5.50%	$557	$ –	$112	$445	$118
City of Camden	2023	1.00%	296	–	53	243	54
New Jersey Department of Human Services	2018	0.00%	311	–	–	311	311
Bonds Payable:							
General Obligation Bonds:							
2002 Series A	2018	Variable Rate	22,400	–	11,000	11,400	11,400
2009 Series F	2039	2.00% - 5.00%	21,895	–	7,000	14,895	7,285
2009 Series G	2039	Variable Rate	68,680	–	1,880	66,800	66,800
2010 Series H	2040	3.776% - 5.665%	390,990	–	–	390,990	–
2010 Series I	2029	2.00% - 5.00%	25,730	–	1,310	24,420	1,355
2013 Series J	2036	1.00% - 5.00%	323,350	–	5,695	317,655	6,175
2013 Series K	2033	0.40% - 4.712%	116,810	–	5,585	111,225	5,720
2013 Series L	2043	1.00% - 5.00%	332,460	–	3,815	328,645	4,000
2016 Series M	2039	3.00% - 5.00%	164,610	–	–	164,610	–
Other Long-Term Obligations:							
New Jersey Educational Facilities Authority:							
Higher Education Capital Improvement Fund:							
Series 2002 A	2022	3.00% - 5.25%	264	–	–	264	–
Series 2005 A	2019	3.00% - 5.00%	17,245	–	17,245	–	–
Series 2006 A	2022	4.00% - 4.50%	21,029	–	21,029	–	–
Series 2014 A	2033	3.50% - 5.00%	29,161	–	1,059	28,102	1,102
Series 2016 A	2022	2.84%	–	39,528	4,838	34,690	5,388
Series 2016 B	2036	4.73%	–	4,888	–	4,888	104
Higher Education Equipment Leasing Fund, Series 2014 A	2023	5.00%	6,840	–	1,599	5,241	1,678
Capital Lease Obligations:							
Housing Authority of the City of New Brunswick	2020	3.00% - 5.00%	14,360	–	3,330	11,030	3,500
Robert Wood Johnson University Hospital Sublease	2020	3.00% - 5.00%	(2,532)	–	(587)	(1,945)	(617)
New Jersey Economic Development Authority:							
College Avenue Redevelopment Project	2046	4.00% - 5.00%	237,055	–	3,615	233,440	3,730
15 Washington Street Housing Project	2031	3.10%	56,575	–	2,500	54,075	2,580
University Hospital Space Leases:							
Ambulatory Care Center, 140 Bergen St.	2089	4.16%[1]	19,017	–	42	18,975	44
New Jersey Medical School, 150 Bergen St.	2089	4.16%[1]	16,154	–	36	16,118	38
Equipment Leases		Various	116	–	78	38	38
Loan Payable:							
New Brunswick Development Corporation:							
15 Washington Street Housing Project	2025	12.00%	2,012	188	–	2,200	–
			1,885,385	44,604	91,234	1,838,755	120,803
Unamortized Bond Discounts			(1,069)	–	(46)	(1,023)	(44)
Unamortized Bond Premiums			85,011	–	4,790	80,221	4,790
Total Long-Term Liabilities			$1,969,327	$44,604	$95,978	$1,917,953	$125,549

[1] Effective interest rate.

Bonds Payable

The University issues general obligation bonds to (i) provide financing of various capital projects, (ii) provide for the refinancing of certain outstanding commercial paper and (iii) provide for the current and/or advance refunding of all or a portion of certain outstanding bonds of the University. These bonds are payable from revenues and other legally available funds. The bonds are secured under the provisions of an Indenture of Trust dated February 1, 2002 by and between the University and U.S. Bank, N.A.

All bonds bear interest at fixed rates with the exception of 2002 Series A and 2009 Series G, which bear interest at variable rates. These bonds are secured by a Liquidity Facility through a Standby Bond Purchase Agreement. The current Liquidity Facility for the 2002 Series A and the 2009 Series G bonds are provided by TD Bank, N.A. until May 1, 2018 and by U.S. Bank, N.A. until May 4, 2018, respectively. As of June 30, 2017, no funds have been drawn against these agreements.

Debt service to maturity for all General Obligation Bonds, using variable rates as of June 30, 2017, and using the net interest rate swap payments as of June 30, 2017 (See Note 11 for additional information about derivatives), are as follows (dollars in thousands):

	Fixed Rate Bonds		Variable Rate Bonds		Interest Rate	
Year	Principal	Interest	Principal	Interest	Swaps, Net	Total
2018	$24,535	$66,662	$13,350	$427	$2,286	$107,260
2019	41,900	65,707	2,030	357	1,881	111,875
2020	37,570	63,938	2,110	345	1,821	105,784
2021	38,760	62,282	2,195	334	1,759	105,330
2022	42,990	60,517	2,280	322	1,694	107,803
2023-2027	237,520	270,963	12,820	1,411	7,410	530,124
2028-2032	312,370	204,453	15,605	1,029	5,385	538,842
2033-2037	258,170	128,133	19,055	563	2,949	408,870
2038-2042	290,110	63,662	8,755	73	380	362,980
2043	68,515	3,426	–	–	–	71,941
Total	$1,352,440	$989,743	$78,200	$4,861	$25,565	$2,450,809

Other Long-Term Obligations

Under the provisions of the State of New Jersey Higher Education Capital Improvement Fund Act (CIF) and the Higher Education Equipment Leasing Fund Act (ELF), the University has been allocated funds from bonds issued by the New Jersey Educational Facilities Authority to finance various capital expenditures. The University is obligated to pay amounts equal to one-third and one-fourth of the amount necessary to pay the principal and interest on the portion of the CIF and ELF bonds, respectively.

Principal and interest payments for other long-term obligations are as follows (dollars in thousands):

Year	Principal	Interest	Total
2018	$8,273	$2,663	$10,936
2019	8,843	2,359	11,202
2020	7,724	2,069	9,793
2021	7,950	1,821	9,771
2022	7,762	1,558	9,320
2023-2027	15,248	5,087	20,335
2028-2032	10,950	2,802	13,752
2033-2037	6,436	467	6,903
Total	$73,186	$18,826	$92,012

Capital Lease Obligations

- **Housing Authority of the City of New Brunswick**

Pursuant to the terms of the capital lease and agreement dated July 1, 1992 between the University and the Housing Authority of the City of New Brunswick (the Housing Authority), the Housing Authority issued bonds for the purpose of providing long-term financing for the construction of a student apartment complex, parking deck, health club facility and multi-unit retail center. The bonds will mature on July 1, 2020. 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. As discussed more fully below, a portion of this capital lease obligation is being funded under a sublease agreement.

- **Robert Wood Johnson University 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. At the end of the term, title to the Hospital's portion of the parking deck will be transferred to the Hospital.

New Jersey Economic Development Authority

- **College Avenue Redevelopment Project**

On September 12, 2013, the New Jersey Economic Development Authority (the Authority) issued $237.1 million of its General Obligation Lease Revenue Bonds, Series 2013. The proceeds of the bonds were 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 construction of an academic building for the School of Arts and Sciences, a residence hall for honors students, a residence building, and a multistory parking structure and surface lot 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. At the end of the term, title to the academic building, the residence hall for honor students, the residence building and the multistory parking structure and surface lot will be transferred to the University.

- **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 proceeds of the notes were 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. The Landlord is leasing the Property to the University pursuant to the Master Lease Agreement dated May 30, 2014. At the end of the term, title to the residential estate and its improvements will be transferred to the University upon payment of the outstanding amounts due on the Authority's notes and on the Developer's equity contribution.

Ambulatory Care Center

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

New Jersey Medical School – Hospital Building

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

Principal and interest payments applicable to the capital lease obligations are as follows (dollars in thousands):

Year	Principal	Interest	Total
2018	$9,313	$15,208	$24,521
2019	9,717	14,793	24,510
2020	10,124	14,361	24,485
2021	7,282	13,907	21,189
2022	7,562	13,595	21,157
2023-2027	38,826	62,889	101,715
2028-2032	62,849	53,373	116,222
2033-2037	43,851	40,644	84,495
2038-2042	55,921	28,570	84,491
2043-2047	55,914	13,170	69,084
2048-2052	1,513	5,889	7,402
2053-2057	1,854	5,547	7,401
2058-2062	2,274	5,128	7,402
2063-2067	2,787	4,614	7,401
2068-2072	3,418	3,984	7,402
2073-2077	4,190	3,211	7,401
2078-2082	5,137	2,264	7,401
2083-2087	6,298	1,103	7,401
2088-2089	2,901	59	2,960
Total	$331,731	$302,309	$634,040

Miscellaneous Equipment Leases

The University has entered into certain lease-purchase agreements for equipment. The following represents the book value of the University's equipment capital leases at June 30, 2017 (dollars in thousands):

	2017
Cost	$1,303
Accumulated Depreciation	(1,189)
Net Book Value	$114

LEAP School Bond Financing Guaranty

In 2003, the Delaware River Port Authority issued $8.5 million of Charter School Project Bonds, Series 2003 (LEAP Academy University Charter School, Inc.) to finance the costs of the design, development, construction and equipping of the LEAP Academy University Charter School, which is adjacent to the Camden Campus. During fiscal year 2015, the New Jersey Economic Development Authority issued $10.0 million of Charter School Revenue Bonds, Series 2014 to refund, among others, in whole the Series 2003 Bonds. As part of the University's commitment to contributing to the community of the City of Camden, the University guarantees the payment of the principal and interest on the bonds through its maturity in 2028.

Defeased Bonds

The University has defeased various bonds with the proceeds of new debt or with University funds. The funds are deposited to an irrevocable escrow trust account for the payment of the principal, interest, and call premiums, if any, on the refunded bonds. The defeased bonds and the related trusts are not reflected in the accompanying financial statements. As of June 30, 2017, the University's defeased debt is as follows (dollars in thousands):

	Amount Defeased	Final Maturity/Call Date	Amount Outstanding at June 30, 2017
NJEFA Revenue Refunding Bonds, 2009 Series B	$214,885	6/1/2019	$179,256
General Obligation Bonds, 2009 Series F	$166,185	5/1/2019	166,185
Total	$381,070		$345,441

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

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. These swaps are valued using a market approach that considers benchmark interest rates and, therefore, are classified in Level 2 of the fair value hierarchy.

For the year ended June 30, 2017, the University had the following derivative instruments outstanding (dollars in thousands):

Swap #	Type	Objective	Notional Amount 2017	Effective Date	Termination Date	Terms	Counterparty Credit Rating (Moody's/S&P)	Fair Value 2017	Change in Fair Value from 2016
1	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond	$11,400	2/4/2002	5/1/2018	Pay fixed 3.960%, receive SIFMA swap index	Aa3/A+	($288)	$774
2	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond and General Obligation Commercial Paper	100,000	5/1/2008	11/1/2038	Pay fixed 4.080%, receive 100% of 3-Month LIBOR	Aa3/AA–	(26,223)	17,752
3	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Bond	11,325	5/1/2007	5/1/2027	Pay fixed 3.824%, receive SIFMA swap index	Aa2/AA–	(1,792)	775
4	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Obligation Commercial Paper	13,500	3/1/2012	11/1/2017	Pay fixed 5.127%, receive 100% of 1-Month LIBOR	Aa2/AA–	(175)	654
			$136,225					($28,478)	$19,955

Risk
The use of derivatives may introduce certain risks for the University, including the following:

Credit Risk:
As of June 30, 2017, the University was not exposed to credit risk with its swap counterparties because all of the swaps had negative fair values.

To mitigate credit risk, the University and the counterparties require the posting of collateral based on their respective credit rating. 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	Swap #1 Collateral Threshold	Swap #2, 3, 4 Collateral Threshold
Aaa/AAA	$30.0 million	Infinite
Aa3/AA–	$25.0 million	Infinite
A1/A+	Zero	$20.0 million
A2/A	Zero	$10.0 million
A3/A–	Zero	$10.0 million
Baa1/BBB+	Zero	$5.0 million
Baa2/BBB	Zero	$5.0 million
Baa3/BBB–	Zero	Zero
Below Baa3/BBB– or not rated	Zero	Zero

As of June 30, 2017, the University's credit ratings by Moody's and S&P was Aa3 and A+, respectively, and was required to post collateral for $0.3 million for Swap #1 and $6.2 million for Swap #2. In order to minimize the need for daily transfers, the University has posted $1.2 million and $9.6 million for Swap #1 and Swap #2, respectively, and is included in noncurrent cash and cash equivalents – restricted in the statement of net position.

Basis Risk:
There is a risk that the variable payment received on interest rate swaps will not match the variable payment on the bonds or commercial paper. This risk is known as basis risk. Swaps totaling to $136.2 million have basis risk because the interest rates on the bonds and commercial paper are reset periodically by the remarketing agent or commercial paper dealer and may not exactly match the variable receipt on the interest rate swaps, which are based on a percentage of either LIBOR or SIFMA indexes.

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 counterparty for swap #1 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 the counterparty for swap #1 exercises its right to terminate the transaction is defined as the optional termination date. If the counterparty for swap #1 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 the counterparty for swap #1 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, 2017, the estimated cost of capital projects under construction and/or in the design stage with approved sources of funding, aggregated approximately $912.5 million. The additional funding required at June 30, 2017 reflects amounts for completion and will be received over several years. Anticipated sources of funding for these projects are summarized as follows (dollars in thousands):

	Total Project Funding		
	Received at June 30, 2017	Additional Funding Required at June 30, 2017	Estimated Total Cost
Borrowing	$103,166	$229,304	$332,470
State	158,572	81,438	240,010
Gifts and Other Sources	212,459	127,556	340,015
Total	$474,197	$438,298	$912,495

The University leases certain space used in general operations. Rental expense was approximately $15.6 million in 2017. The leases are non-cancelable and have been classified as operating leases which are expected to expire through 2046. Minimum annual rental commitments approximate the following (dollars in thousands):

Fiscal Year	Amount
2018	$16,808
2019	15,766
2020	13,643
2021	11,172
2022	10,501
2023-2027	36,651
2028-2032	19,798
2033-2037	15,565
2038-2042	14,314
2043-2047	7,822
Total	$162,040

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, 2017, are as follows (dollars in thousands):

	2017
Instruction	$914,052
Sponsored Research	285,520
Other Separately Budgeted Research	150,666
Extension and Public Service	251,856
Academic Support	448,726
Student Services	133,840
Operation & Maintenance of Plant	237,835
General Administrative and Institutional	237,767
Scholarships and Fellowships	79,708
Depreciation	184,782
Patient Care Services	636,343
Auxiliary Enterprises	260,895
Other Operating Expenses	228
Total Operating Expenses	$3,822,218

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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, State of New Jersey Police and Firemen's Retirement System, and the Alternate Benefit Program. 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 **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 member 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 7.34% of their annual compensation during fiscal year 2017. 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'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.

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 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. The active member contribution rate is 10.0% of annual compensation during fiscal year 2017.

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

The University's respective net pension liability, deferred outflows 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, 2017, the University reported a liability of $1,973.9 million and $84.1 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 at June 30, 2017, was determined by an actuarial valuation as of July 1, 2015, and rolled forward to the measurement date of June 30, 2016, 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 2016, which was 6.7% and 1.8% for PERS and PFRS, respectively. The University's proportionate share of the respective net pension liabilities for the plan was 3.4% and 0.3% 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.

The June 30, 2016 measurement of the net pension liability for PERS and PFRS used the following actuarial assumptions:

	2016	
	PERS	PFRS
Inflation Rate	3.08%	3.08%
Salary Increases:		
2016 – 2026	1.65–4.15% based on age	2.10–8.98% based on age
Thereafter	2.65–5.15% based on age	3.10–9.98% based on age
Investment rate of return	7.65%	7.65%

Pre-retirement mortality rates for PERS were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Pre-retirement mortality rates for PFRS were based on the RP-2000 Pre-Retirement tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2011, to June 30, 2014, for PERS and July 1, 2010, to June 30, 2013, 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' and PFRS' target asset allocation as of June 30, 2016 are summarized in the following table:

	2016	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	(0.25%)
REIT	5.25%	5.63%

Discount Rate — The discount rate used to measure the total pension liability for PERS was 3.98% as of June 30, 2016. The discount rate used to measure the total pension liability for PFRS was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 contributions from employers will be made based on the contribution rate in the most recent fiscal year. 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 2034 for PERS and 2050 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS and 2050 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Change in Assumptions — For the valuation used in the measurement of the net pension liability for PERS as of June 30, 2016, the discount rate decreased 0.92% to 3.98% and the long-term expected rate of return decreased 0.25% to 7.65%. The demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study (previously, the July 1, 2008 – June 30, 2011 experience study was utilized) and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale (previously, the mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables). Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal years 2026 and 2.65% and 5.15 % (based on age) for each fiscal year thereafter (previously, salary increases were assumed to increase between 2.15% and 4.40% (based on age) through fiscal years 2021 and 3.15% and 5.40% (based on age) for each fiscal year thereafter).

For the valuation used in the measurement of the net pension liability for PFRS as of June 30, 2016, the discount rate decreased 0.24% to 5.55% and the long-term expected rate of return decreased 0.25% to 7.65%. The mortality improvement scale incorporated the plan actuary's modified 2014 projection scale (previously, the mortality rates for male service retirements were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates for female service retirements were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB). Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter (previously, salary increases were assumed to increase between 2.60% and 9.48% (based on age) through fiscal years 2021 and 3.60% and 10.48% (based on age) for each fiscal year thereafter).

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, 2016, 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):

	2016		
	At 1% Decrease	**At Current Discount Rate**	**At 1% Increase**
PERS (2.98%, 3.98%, 4.98%, respectively)	$2,311,826	$1,973,868	$1,695,551
PFRS (4.55%, 5.55%, 6.55%, respectively)	100,207	84,109	71,023
Total	$2,412,033	$2,057,977	$1,766,574

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, 2017 (dollars in thousands):

2017	PERS	PFRS	Total
Deferred Outflows of Resources			
Changes of Assumptions	$295,036	$6,550	$301,586
Changes in Proportionate Share	61,376	2,414	63,790
Difference Between Expected and Actual Experience	42,010	–	42,010
Difference Between Projected and Actual Earnings on Pension Plan Investments	32,611	2,624	35,235
Contributions Subsequent to Measurement Date	28,964	3,069	32,033
Total	$459,997	$14,657	$474,654
Deferred Inflows of Resources			
Changes in Proportionate Share	$11,132	$5,186	$16,318
Difference Between Expected and Actual Experience	–	727	727
Difference Between Projected and Actual Earnings on Pension Plan Investments	–	–	–
Total	$11,132	$5,913	$17,045

Included in deferred outflows of resources related to pensions is $32.0 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, 2018. 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
2018	$96,890	$1,421	$98,311
2019	96,890	1,421	98,311
2020	107,147	1,813	108,960
2021	88,492	1,178	89,670
2022	30,482	(158)	30,324
Total	$419,901	$5,675	$425,576

Annual Pension Expense — The University's annual pension expense for PERS and PFRS for the year ended June 30, 2017, was approximately $185.4 million and $7.2 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, 2017 was $1,121.5 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 2017. 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, 2017, were $80.4 million. Employee contributions for the year ended June 30, 2017, were $54.6 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 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.

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.

Deferred Compensation Plan

University employees with membership in PERS, ABP or PFRS are eligible to participate in the New Jersey State 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 $56.4 million at June 30, 2017. 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 payout to retirees for unused accumulated sick time is calculated at the lesser of ½ the value of earned time or $15,000. Employees separating from the University service prior to retirement are not entitled to payments for accumulated sick leave balances. The University recorded a liability for accumulated sick leave balances in the amount of $13.0 million at June 30, 2017, 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 $3.1 million at June 30, 2017, 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.

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NOTE 16 - RISK MANAGEMENT

In 1980, the University, jointly with 15 other higher education institutions, established Genesis Ltd. (Genesis), a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda. Genesis, a Captive Reinsurance Company, was formed to reinsure general liability, professional liability, and automobile liability risks of its shareholders.

In 2004, the University and its 15 partners formed a Vermont Reciprocal Risk Retention Group, Pinnacle Consortium of Higher Education (Pinnacle), to enhance and support the insurance programs and provide fronting services for Genesis. The primary purpose of this second alternate risk funding company was to reduce costs, reduce collateral requirements for Genesis and provide the flexibility to conduct business in the U.S. The insurance policies have deductibles that vary by policy, the most significant of which provides for the payment of general liability claims.

Effective January 1, 2016, in order to eliminate certain redundancies and gain further operational efficiency, the Shareholders and Subscribers of Genesis and Pinnacle, respectively, consolidated the insurance operations into Pinnacle in a two-step process by: discontinuing Genesis in Bermuda, and, immediately merging it into Pinnacle, with Pinnacle remaining as the surviving entity. Pinnacle assumed all of Genesis' obligations as reinsurer of Pinnacle, and is holding all of the assets previously held by Genesis to support such obligations. Going forward, Pinnacle will retain all of the risk that previously was ceded to Genesis.

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, 2017, for these items is $33.6 million. The reserve balance recorded at June 30, 2017, is $38.5 million. Workers compensation reserves are discounted at 2%. 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 $30.0 million in 2017. Contributions to the Fund from the State totaled $20.0 million in 2017, while contributions from RBHS affiliates, DOC, and faculty practice plans totaled $10.0 million in 2017.

The University has accrued expenses for deductibles and IBNR 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.

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.

NOTE 18 - COMPONENT UNIT - RUTGERS UNIVERSITY FOUNDATION

Cash, Cash Equivalents, and Investments

The Foundation's cash and cash equivalents consist of the following as of June 30, 2017 (dollars in thousands):

	2017
Money Market Account	$619
Cash and Deposits	28,452
	$29,071

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 Giving Portfolio is subject to state mandated investment restrictions for annuities issued in the states of Florida and California.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following is a description of the valuation methodologies used for instruments measured at fair value:

U.S. Treasury Securities – The fair value of U.S. Treasury securities is the market value using quoted market prices.

Mortgage-backed Securities – The fair value of mortgage-backed securities is the market value using quoted market prices.

Preferred Stock – The fair value of preferred stock is the market value using quoted market prices (Level 1) and sensitivity analysis of the relationship between bond and equity values for preferred stock with observable inputs (Level 2) and unobservable inputs (Level 3).
Equity Securities – The fair value of equity securities is the market value based on quoted market prices.

Fixed Income Mutual Funds – The fair value of equity securities is the market value based on quoted market prices.

Real Estate – The fair value of real estate is the value based on the initial recognition of the assets when they are donated to the Foundation based on a qualified appraisal or similar real estate market value.

Privately Held Securities – The fair market value of privately held securities is the value based upon the initial recognition of the asset when donated to the Foundation. There are no observable markets for the assets.

Alternative investments – The fair value of alternative investments uses current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuation provided by external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore differ from the value that would have been used had a ready market for such investments existed.

The Foundation's investments are summarized in the following table by their fair value hierarchy as of June 30, 2017 (dollars in thousands):

	2017			
	Investments by Fair Value Level			
Investment Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury Securities	$342	$342	$ –	$ –
Municipal Bonds	4	4	–	–
Mortgage-backed Securities	1	1	–	–
Preferred Stock	330	171	133	26
Fixed Income Mutual Funds	8,096	8,096	–	–
Equity Securities	5,560	5,560	–	–
Real Estate	233	–	233	–
Privately Held Securities	60	–	–	60
	14,626	$14,174	$366	$86
Investments measured at net asset value or its equivalent:				
Alternative investments	472			
Subtotal	472			
Total Investments	$15,098			

Custodial Credit Risk – The Foundation's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financials institution's trust department or agent, but not in the Foundation's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Foundation's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Foundation and are held by either: the counterparty or the counterparty's trust department of agent, but not in the Foundation's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Foundation will not be able to recover the value of the investment of collateral securities that are in the possession of an outside party.

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, 2017, the amount on deposit with the banks was $28.5 million. As of June 30, 2017, 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, 2017, 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, 2017, 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, 2017, the Foundation's investment quality ratings as rated by Standard & Poor's were as follows (dollars in thousands):

Investment Type	Quality Rating	2017
Municipal Bonds	AAA	$4
U.S. Treasury Securities	AA+	342
Mortgage-backed Securities	AA+	1
Preferred Stock	A-	1
Preferred Stock	BBB	46
Preferred Stock	BBB–	53
Preferred Stock	BB+	26
Preferred Stock	BB	26
Preferred Stock	BB–	13
Preferred Stock	Not Rated	165
Fixed Income Mutual Funds	Not Rated	8,096
Total		$8,773

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, 2017 (dollars in thousands):

		2017			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 — 5	6 — 10	More than 10
U.S. Treasury Securities	$342	$223	$113	$6	$ –
Mortgage-backed Securities	1	–	–	–	1
Municipal Bonds	4	–	–	4	–
Preferred Stock	330	154	103	27	46
Fixed Income Mutual Funds	8,096	–	3,695	4,401	–
Total	$8,773	$377	$3,911	$4,438	$47

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 years ended June 30, 2017, were as follows (dollars in thousands):

	2017
Administrative Fees and Support:	
Endowment Administrative Fee	$9,185
University Support	15,202
	$24,387
Noncash Support:	
Fair Rental Value of Space Occupied	$431
University-Paid Payroll Taxes and Benefits	1,582
	2,013
Total	$26,400

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, 2017, assessment fees totaling $4.9 million were recorded.

Restricted Contributions Receivable

The anticipated receipt of contributions receivable as of June 30, 2017, is as follows (dollars in thousands):

	2017
Year Ending June 30:	
Within One Year	$39,206
Two to Five Years	41,091
	80,297
Less Allowance for Uncollectible Contributions Receivable	(5,775)
	$74,522

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 $86.4 million as of June 30, 2017, have not been included in the accompanying financial statements.

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, 2017, was $19.5 million.

NOTE 19 – 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, 2017, is set forth in the following table (dollars in thousands):

	2017
Cash and Cash Equivalents – Restricted	$5,045
	$5,045

Investments

The composition of investments at June 30, 2017, is set forth in the following table (dollars in thousands):

	2017
Cash and Cash Equivalents	$1,503
Marketable Equity Securities	17,646
U.S. Government Securities	2,847
Bonds	36,518
Total Short-term Investments	$58,514

The fair value of UPA's financial assets that are measured on a recurring basis at June 30, 2017, 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	2017 Total Fair Value
Marketable Equity Securities	M	$ 17,646	$ –	$ –	$ 17,646
U.S. Government Securities	M	–	2,847	–	2,847
Bonds	M	–	36,518	–	36,518
Total Assets		$ 17,646	$ 39,365	$ –	$ 57,011

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

At June 30, 2017, there was approximately $1.5 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 and 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, 2017, are as follows (dollars in thousands):

	2017
Payable to Rutgers University Medical Malpractice Fund	$675
Payable to New Jersey Medical School Mandatory Department Account	5,018
Payable to New Jersey Medical School Deans' Fund	6,758
Payable to Voluntary Department Account	2,383
Payable to Voluntary Division Account	1,462
Payable to Voluntary Group Account	88
Payable to Voluntary Practice Group Account	27,044
Total Current Liabilities	$43,428

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 2017 was $0.5 million.

NOTE 20 – SUBSEQUENT EVENTS

Rutgers Health Group (RHG), a non-profit corporation, was incorporated on July 29, 2016 and was granted tax-exempt status on November 29, 2016. Operating as "Rutgers Health," RHG was organized as the University's integrated, inter-professional faculty practice for the University's health care practitioners to deliver high quality, cost-effective patient care at clinical locations supportive of the University's teaching and research missions; to participate in education and research exclusively in support of the charitable, scientific and educational purposes of the University; and to support the University's education and training of healthcare students, post-graduate students and professionals. By combining the University's clinical operations into a single entity, RHG furthers the development of University's clinically integrated operations through the integration and coordination of the clinical services of the University's health care practitioners. Although RHG is legally separate from the University, the University is the sole member of RHG, has various reserved powers with respect to RHG's operations, and appoints a majority of RHG's trustees.

RHG commenced operations on July 1, 2017. At this time, RHG has no employees. Pursuant to an affiliation agreement between RHG and the University, the health care professionals who provide RHG's patient care services serve as faculty and employees of the University, which is solely responsible for the administration of all compensation, salary, wages, and benefits payable to these individuals.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedules of Employer Contributions*
For the Three Years Ended June 30, 2017
(dollars in thousands)

Public Employees' Retirement System (PERS)	2017	2016	2015
Contractually Required Contribution	$28,964	$25,859	$14,888
Contributions in relation to the Contractually Required Contribution	$28,964	$25,859	$14,888
Contribution Deficiency (Excess)	–	–	–
University Employee Covered Payroll (as of Fiscal Year End)	$294,177	$296,594	$294,526
Contributions as a percentage of Employee Covered Payroll	9.85%	8.72%	5.05%

Police and Firemen's Retirement System (PFRS)	2017	2016	2015
Contractually Required Contribution	$3,069	$1,512	$1,298
Contributions in relation to the Contractually Required Contribution	$3,069	1,512	1,298
Contribution Deficiency (Excess)	–	–	–
University Employee Covered Payroll (as of Fiscal Year End)	8,932	8,091	8,466
Contributions as a percentage of Employee Covered Payroll	34.36%	18.69%	15.33%

Schedules of Proportionate Share of the Net Pension Liability*
For the Three Years Ended June 30, **2017**
(dollars in thousands)

Public Employees' Retirement System (PERS)	2017	2016	2015
University Proportionate Share of the Net Pension Liability – State Group	6.72%	6.60%	6.42%
University Proportionate Share of the Net Pension Liability – Total Plan	3.35%	3.39%	3.33%
University Proportionate Share of the Net Pension Liability	$1,973,868	$1,566,143	$1,292,223
University Employee Covered-Payroll (for year ended as of measurement date)	$296,594	$294,526	$299,132
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered-Payroll	665.51%	531.75%	431.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.20%	38.21%	42.74%

Police and Firemen's Retirement System (PFRS)	2017	2016	2015
University Proportionate Share of the Net Pension Liability – State Group	1.79%	1.76%	1.76%
University Proportionate Share of the Net Pension Liability – Total Plan	0.33%	0.36%	0.36%
University Proportionate Share of the Net Pension Liability	$84,109	$78,598	$62,433
University Employee Covered-Payroll (for year ended as of measurement date)	$8,091	$8,466	$9,043
University Proportionate Share of the Net Pension Liability as a Percentage of the Employee Covered-Payroll	1039.55%	928.40%	690.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.55%	52.84%	58.86%

*Information provided for Required Supplementary Information will be provided for ten (10) years as the information becomes available in subsequent years.

University Administrative Officers

Robert L. Barchi, M.D., Ph.D.
President

Nancy E. Cantor, Ph.D.
Chancellor, Rutgers University–Newark

Dabasish Dutta, Ph.D.
Chancellor, Rutgers University–New Brunswick

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

Brian L. Strom, M.D., M.P.H.
Chancellor, Rutgers Biomedical and Health Sciences and Executive Vice President for Health Affairs

Antonio M. Calcado, M.P.A.
Executive Vice President for Strategic Planning and Operations and Chief Operating Officer

J. Michael Gower, M.B.A.
Executive Vice President for Finance and Administration and University Treasurer

Nevin E. Kessler, M.A.
President of the Rutgers University Foundation and Executive Vice President for Development and Alumni Relations

Vivian Fernández, M.B.A.
Senior Vice President for Human Resources and Organizational Effectiveness

Timothy J. Fournier, Ed.D., M.B.A.
Senior Vice President for Enterprise Risk Management, Ethics, and Compliance

John J. Hoffman, J.D.
Senior Vice President and General Counsel

Barbara A. Lee, Ph.D., J.D.
Senior Vice President for Academic Affairs

Peter J. McDonough, Jr., B.A.
Senior Vice President for External Affairs

Christopher J. Molloy, Ph.D.
Senior Vice President for Research and Economic Development

Michele L. Norin, M.Ed.
Senior Vice President and Chief Information Officer

Patrick E. Hobbs, J.D.
Director of Intercollegiate Athletics

Kimberlee M. Pastva, J.D.
Secretary of the University

APPENDIX C

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

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APPENDIX C

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

The statements made herein concerning the Master Indenture and the Eleventh Supplemental Indenture are summaries and do not purport to be complete. Such statements use certain terms defined in the Master Indenture and the Eleventh Supplemental Indenture and are qualified in their entirety by reference to the detailed provisions of the Master Indenture and the Eleventh 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 Eleventh 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, 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 2018 Series Bonds dated March 22, 2018 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 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 Bonds, 2018 Series N (Tax-Exempt), 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 the MSRB.

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 Eleventh Supplemental Indenture to execute any such Certificate of Determination for the purpose of determining certain matters with respect to the 2018 Series Bonds, subject to and in compliance with all applicable requirements of the Indenture and the Eleventh 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.

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.

Interest Payment Date: means for the 2018 Series Bonds, May 1 and November 1 of each year.

Interest Requirement: shall mean, as of the date of computation with respect to a Calendar Year, an amount equivalent to the aggregate maximum amount coming due during such Calendar Year on any Interest Payment Date, of (i) interest which may be payable on Outstanding Bonds and (ii) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the University shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the University under such Swap; if the University shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the University then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the University under such Swap.

Investment Securities: shall, as it may relate solely to the 2018 Series Bonds, 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, and, as to the investment of any funds held by the Trustee, shall be further limited to the following:

(1) Obligations of or guaranteed by the State of New Jersey or the United States of America (including obligations which have been stripped of their unmatured interest coupons, and interest coupons which have been stripped from such obligations).

(2) Obligations issued or guaranteed by any instrumentality or agency of the United States of America, whether now existing or hereafter organized.

(3) Obligations issued or guaranteed by any state of the United States or the District of Columbia, so long as such obligations are rated at the time of purchase in either of the highest two credit rating categories by each nationally recognized securities rating agency which has issued a rating of the 2018 Series Bonds.

(4) Repurchase agreements with any banking institution (including the Trustee) fully secured by obligations of the kind specified in (1), (2) or (3) above, provided that the Trustee has a perfected first security interest in such obligations, that the Trustee or an agent (as acknowledged by such agent in writing) has possession of the obligations or the Trustee or such agent is deemed the owner or secured party of such obligations pursuant to book entry system maintained by a Federal Reserve Bank, and that the seller of such obligations represents that such obligations are free and clear of claims by third parties.

(5) Interest-bearing deposits in any bank or trust company (which may include the Trustee), provided that all such deposits shall, to the extent not insured, be secured by a pledge of obligations of the kind specified in (1), (2) or (3) above.

(6) Units of participation in the New Jersey Cash Management Fund, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys and for which the New Jersey State Treasurer is custodian.

(7) Shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which (i) invests its assets exclusively in obligations of or guaranteed by the United States of America or any instrumentality or agency thereof having in each instance a final maturity date of less than one year from their date of purchase; (ii) seeks to maintain a constant net asset value per share; and (iii) has aggregate net assets of not less than $50,000,000 on the date of purchase of such shares.

(8) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with direct obligations of the Department of the Treasury of the United States of America).

(9) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(10) Obligations of any federal agencies which obligations represent the full faith and credit of the United States of America whether now existing or hereafter organized and including but not limited to:

(A) Export-Import Bank

(B) Farm Credit Financial Assistance Corporation

(C) Rural Economic Community Development Administration (formerly the Farmers Home Administration)

(D) General Services Administration

(E) U.S. Maritime Administration

(F) Small Business Administration

(G) Government National Mortgage Association (GNMA)

(H) U.S. Department of Housing & Urban Development (PHA's)

(I) Federal Housing Administration; and

(J) Federal Financing Bank.

(11) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(A) Senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation so long as such organizations are rated "AAA" by S&P or "Aaa" by Moody's;

(B) Obligations of the Resolution Funding Corporation (REFCORP);

(C) Senior debt obligations of the Federal Home Loan Bank System; and

(D) Senior debt obligations of other government sponsored agencies.

(12) Interest bearing deposits, federal funds and banker's acceptances with any bank or trust company which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's. In the event the bank or trust company does not have a rating as indicated, then the deposits shall be secured by a pledge of obligations rated A2/A or better.

(13) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P (which may include funds for which the Trustee or any affiliate of the Trustee is the financial advisor).

(14) Obligations issued or guaranteed by any municipality or other subdivision of any state of the United States with a rating of A2/A or higher from Moody's, S&P or Fitch.

(15) Pre-refunded municipal obligations defined as follows: bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) Which are rated, based on an irrevocable escrow account or fund (the "Escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an Escrow consisting only of cash or obligations described in paragraph A above, which Escrow 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 specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which Escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in irrevocable instructions referred to above, as appropriate.

Any other investment or security acceptable to, and approved in writing by, an Authorized Officer of the University.

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.

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).

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 2018 Series Bonds.

Rebate Amount: shall have the meaning set forth in the respective Arbitrage Certificate.

Rebate Fund: shall mean that fund established pursuant to the Indenture.

Record Date: shall mean the fifteenth day of each April and October.

Redemption Fund: shall mean that fund established pursuant to the Indenture.

Redemption Price: shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunding Bonds: shall mean all Bonds whether issued in one or more Series, authenticated and delivered on original issuance pursuant to the Indenture and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

Registrar: shall mean the Trustee serving in such capacity as provided in the Indenture.

Reimbursement Obligation: shall mean any obligation of the University to make payments to a provider of a Bond Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying

(i) the Principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or

(ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Supplemental Indenture,

but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not, unless otherwise provided for, include (i) any payments of any fees, expenses, or other similar obligations to any such provider, unless specifically included as a part thereof and approved as a portion of the Special Debt Service Requirement, or (ii) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

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..

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.

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 Eleventh 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 Service Reserve Fund, if and to the extent necessary to make the amount in such Fund equal to the Debt Service Reserve Requirement with respect to such Series of Bonds, if applicable, and any remaining balance in said separate account of the Construction Account shall, upon written direction of the University, be applied to the Costs of Construction of any other Additional Project or be deposited in the Redemption Fund and applied to the purchase or redemption of Bonds pursuant to provisions regarding the Redemption Fund. The University covenants to use the proceeds of the Bonds in a manner consistent 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 the MSRB, 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 the MSRB, the Annual Financial Information by specific reference to documents previously provided to the MSRB, 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 the MSRB 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 the MSRB 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 MSRB 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 MSRB.

The Trustee shall, while any Bonds are Outstanding and without any direction or instruction from the University, provide on the Report Date to the MSRB, notice of any failure to provide to the MSRB 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 the MSRB, upon which direction the Trustee shall provide such additional information in a timely manner to the MSRB.

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 provided to the MSRB, or 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 the MSRB; 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 the MSRB.

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 the MSRB.

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 the MSRB.

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 MSRB.

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)

APPENDIX D

PROPOSED FORM OF OPINION OF McCARTER & ENGLISH, LLP
BOND COUNSEL TO THE UNIVERSITY

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March 29, 2018

Rutgers, The State University
New Brunswick, New Jersey

Re: Rutgers, The State University
General Obligation Bonds, 2018 Series N (Tax-Exempt) and
General Obligation Bonds, 2018 Series O (Federally Taxable)

Ladies and Gentlemen:

McCarter & English, LLP
Four Gateway Center
100 Mulberry Street
Newark, NJ 07102-4056
T. 973.622.4444
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We have served as Bond Counsel to Rutgers, The State University (the "University") in connection with the issuance by the University of its (i) General Obligation Bonds, 2018 Series N (Tax-Exempt) in the original principal amount of $44,045,000 (the "2018 Series N Bonds"), and (ii) General Obligation Bonds, 2018 Series O (Federally Taxable) in the original principal amount of $100,655,000 (the "2018 Series O Bonds" and collectively with the 2018 Series N Bonds, 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 22, 2018 (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 7, 2018, and a resolution adopted by the Board of Trustees of the University on March 19, 2018 (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 Eleventh Supplemental Indenture of Trust dated as of March 1, 2018 (the "Eleventh 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, (i) the proceeds from the sale of the 2018 Series N Bonds are to be used by the University, together with other funds, for the purpose of (A) financing and/or refinancing of the construction and equipping of the Newark

Honors Living-Learning Community (as more fully described in the Eleventh Supplemental Indenture) and (B) financing certain administrative, legal, financing and incidental expenses relating to the issuance of the 2018 Series N Bonds, and (ii) the proceeds from the sale of the 2018 Series O Bonds are to be used by the University, together with other funds, for the purpose of (A) financing and/or refinancing of the construction of various capital projects approved by the Board of Governors of the University from time to time (as more fully described in the Eleventh Supplemental Indenture) and (B) financing certain administrative, legal, financing and incidental expenses relating to the issuance of the 2018 Series O 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 2018 Series N Bond; (iii) an executed 2018 Series O Bond, (iv) the executed Master Indenture and Eleventh Supplemental Indenture; (v) 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; (vi) the Certificate of Determination; (vii) 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") relating to the 2018 Series N Bonds; and (viii) 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 2018 Series N Bonds in order to assure that interest on the 2018 Series N 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 2018 Series N Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the 2018 Series N 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 2018 Series N Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the 2018 Series N 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 2018 Series N Bonds from gross income for federal income tax purposes and with respect to interest on the 2018 Series N Bonds not constituting an item of tax preference, (ii) that the Master Indenture and the Supplemental Indentures thereto, other than the Eleventh Supplemental Indenture, have been duly authorized, executed and delivered by the parties thereto, and (iii) that the Eleventh 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 Eleventh Supplemental Indenture.

2. The Master Indenture and the Eleventh 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 2018 Series N 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 2017 Series N Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. In the case of certain corporate holders of the 2018 Series N Bonds, interest on the 2018 Series N Bonds will be included in adjusted current earnings for purposes of the alternative minimum tax applicable to taxable years beginning before January 1, 2018. We express no opinion regarding any other federal income tax consequences arising with respect to the 2018 Series N 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 2018 Series N Bonds and one of the 2018 Series O Bonds as executed by the University and authenticated by the Trustee, and, in our opinion, their form, execution and authentication are regular and proper. We have assumed that all of the 2018 Series N Bonds and the 2018 Series O 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,

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