NEW ISSUE

RATINGS: Moody's: Aaa
S&P: AAA

BOOK-ENTRY ONLY

In the opinion of McCarter & English, LLP, Bond Counsel to the Authority, assuming compliance by the Authority and the University (as defined below) with certain tax covenants described herein, under existing law, interest on the 2014 Series A Bonds (as defined below) is excluded for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the 2014 Series A Bonds is not an item of tax preference under Section 57 of the Code. Under existing law, interest on the 2014 Series A Bonds and net gains from the sale of the 2014 Series A Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act. In the case of certain corporate holders of the 2014 Series A Bonds, interest on the 2014 Series A Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the 2014 Series A Bonds in "adjusted current earnings" of certain corporations. See "TAX EXEMPTION" herein.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

$200,000,000

Princeton University Revenue Bonds, 2014 Series A

Dated: Date of Delivery

Due: July 1, as shown on the inside cover hereof

The New Jersey Educational Facilities Authority Princeton University Revenue Bonds, 2014 Series A (the "2014 Series A Bonds") will be issued by the New Jersey Educational Facilities Authority (the "Authority") as fully registered bonds by means of a book-entry system evidencing ownership and transfer thereof on the records of The Depository Trust Company, New York, New York ("DTC") and its participants. Purchases of the 2014 Series A Bonds will be made in book-entry form in denominations of $5,000 each or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2014 Series A Bonds purchased. So long as DTC or its nominee is the registered owner of the 2014 Series A Bonds, payments of the principal and redemption premium, if any, of and interest on the 2014 Series A Bonds will be made directly to DTC. Disbursement of such payments to the Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the 2014 Series A Bonds is the responsibility of the Direct Participants and the Indirect Participants. See "DESCRIPTION OF THE 2014 SERIES A BONDS - Book-Entry Only System" herein. The Bank of New York Mellon, Woodland Park, New Jersey, shall act as Trustee, Registrar and Paying Agent for the 2014 Series A Bonds. The 2014 Series A Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity, as more fully described herein.

The 2014 Series A Bonds are being issued pursuant to the New Jersey Educational Facilities Authority Law (*N.J.S.A.* 18A:72A-1 *et seq.*), as amended and supplemented, the Princeton University Revenue Bond Resolution adopted by the Authority on February 16, 1999, as heretofore amended and supplemented (collectively, the "General Resolution"), and as further amended and supplemented by the 2014 Series A Series Resolution adopted by the Authority on November 25, 2013 (the "2014 Series A Series Resolution" and together with the General Resolution, the "Resolution"). The 2014 Series A Bonds are being issued for the purpose of making a loan to The Trustees of Princeton University (the "University") to (i) finance (in whole or in part) the costs of the acquisition, construction, renovation and installation of certain capital assets to be located at or near the University's main campus in Princeton, New Jersey, at its Forrestal Campus in Plainsboro, New Jersey, or at its administrative building at 701 Carnegie Center in West Windsor, New Jersey; (ii) refund a portion of the Authority's Princeton University Commercial Paper Notes, Series 2012A (Tax-exempt); (iii) refund a portion of The Trustees of Princeton University Taxable Commercial Paper Notes; and (iv) pay a portion of certain costs incidental to the sale and issuance of the 2014 Series A Bonds. See "PLAN OF FINANCE" herein. The Authority and the University will enter into a Loan Agreement dated as of January 1, 2014 with respect to such loan.

THE 2014 SERIES A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, AND ARE NOT A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY (TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION), OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY (TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION). THE AUTHORITY HAS NO TAXING POWER. SEE "SECURITY FOR 2014 SERIES A BONDS" HEREIN FOR A DESCRIPTION OF THE SECURITY FOR THE 2014 SERIES A BONDS AND THE OTHER PARITY BONDS OUTSTANDING UNDER THE GENERAL RESOLUTION.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2014 Series A Bonds are offered when, as and if issued by the Authority and received by the successful bidder, subject to the approval of their legality by McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed on for the University by Ballard Spahr LLP, Philadelphia, Pennsylvania and by Peter G. McDonough, Esq., General Counsel to the University. The 2014 Series A Bonds are expected to be available for delivery to DTC in New York, New York, on or about January 16, 2014.

BofA Merrill Lynch

Dated: January 8, 2014

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

$200,000,000 Princeton University Revenue Bonds, 2014 Series A

Due July 1	Principal Amount	Interest Rate	Yield	CUISP NO.**
2016	$ 2,585,000	5.00%	0.385%	6460657K2
2017	2,690,000	5.00	0.630	6460657L0
2018	2,790,000	5.00	0.990	6460657M8
2019	2,905,000	5.00	1.380	6460657N6
2020	3,020,000	5.00	1.800	6460657P1
2021	3,140,000	4.00	2.120	6460657Q9
2022	3,270,000	5.00	2.410	6460657R7
2023	3,400,000	5.00	2.610	6460657S5
2024	3,530,000	5.00	2.750	6460657T3
2025	3,710,000	5.00	2.890*	6460657U0
2026	29,440,000	5.00	2.980*	6460657V8
2027	29,630,000	4.00	3.240*	6460657W6
2028	29,840,000	4.00	3.380*	6460657X4
2029	30,050,000	4.00	3.550*	6460657Y2
2044	50,000,000	5.00	4.120*	6460657Z9

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*Yield to first optional par call date of July 1, 2024.

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THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2014 SERIES A BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesperson or other person has been authorized by the Authority or the University to give any information or to make any representations with respect to the 2014 Series A 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 either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2014 Series A Bonds by any person in any such jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from the University and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation of the Authority. The information set forth herein relative to The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry only system has been supplied to the Authority by DTC for inclusion herein, and the Authority takes no responsibility for the accuracy thereof. Such information has not been independently verified by the Authority or the University and neither the Authority nor the University makes any representation as to the accuracy or completeness of such information.

The 2014 Series A Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the 2014 Series A Bonds and the security therefor, including an analysis of the risk involved. The 2014 Series A Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the 2014 Series A Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the 2014 Series A Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the 2014 Series A Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. This Official Statement is submitted in connection with the sale of the 2014 Series A Bonds referred to herein and may not be reproduced or used, in the whole or in part, for any other purpose.

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 circumstance, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

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NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
103 COLLEGE ROAD EAST
PRINCETON, NEW JERSEY 08540-6612

OFFICIAL STATEMENT
RELATING TO

$200,000,000

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
PRINCETON UNIVERSITY REVENUE BONDS, 2014 SERIES A

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information concerning the New Jersey Educational Facilities Authority (the "Authority") and its $200,000,000 New Jersey Educational Facilities Authority, Princeton University Revenue Bonds, 2014 Series A (the "2014 Series A Bonds"), to be dated the date of issuance thereof, authorized by the Princeton University Revenue Bond Resolution, adopted by the Authority on February 16, 1999, as heretofore amended and supplemented (collectively, the "General Resolution"), and as further amended and supplemented by the 2014 Series A Series Resolution adopted by the Authority on November 25, 2013 (the "2014 Series A Series Resolution") (the General Resolution and the 2014 Series A Series Resolution are hereinafter collectively referred to as the "Resolution"). Capitalized terms used but not defined in this Official Statement shall have the respective meanings assigned to such terms in the Resolution. The information contained in this Official Statement has been prepared under the direction of the Authority for use in connection with the sale and delivery of the 2014 Series A Bonds.

Authority for Issuance

The 2014 Series A Bonds are being issued pursuant to the New Jersey Educational Facilities Authority Law, constituting Chapter 72A of Title 18A of the New Jersey Statutes as enacted by Chapter 271 of the Laws of 1967, as amended and supplemented (the "Act"). The Act, among other things, empowers the Authority to issue its bonds, notes and other obligations to obtain funds to finance an eligible project as such may be required or convenient for the purpose of a public or private participating institution of higher education, such as The Trustees of Princeton University, a New Jersey corporation and a privately endowed, non-sectarian institution for higher education situated in the Borough of Princeton, Mercer County, New Jersey (the "University"). For information concerning the University, see "APPENDIX A - PRINCETON UNIVERSITY," "APPENDIX B-1 – CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012, AND INDEPENDENT AUDITORS' REPORT," and "APPENDIX B-2 - REPORT ON INVESTMENTS, 2012-13" hereto.

Purpose

The 2014 Series A Bonds are being issued to provide funds to be loaned to the University to: (i) finance (in whole or in part) the costs of the acquisition, construction, renovation and installation of certain capital assets to be located at or near the University's main campus in Princeton, New Jersey, at its Forrestal Campus in Plainsboro, New Jersey, or at its administrative building at 701 Carnegie Center in West Windsor, New Jersey consisting of (a) the renovation and repair of various University buildings and other facilities, including utility systems, roads, grounds and parking, (b) the construction of academic, administrative and/or student related capital facilities, and (c) the acquisition of land (collectively, "Facility Z"); (ii) refund a portion of the Authority's Princeton University Commercial Paper Notes, Series 2012A (Tax-exempt); (iii) refund a portion of The Trustees of Princeton University Taxable Commercial Paper Notes ((i), (ii) and (iii) collectively referred to as the "2014 Project") and (iv) pay certain costs incidental to the sale and issuance of the 2014 Series A Bonds, including deposits to certain funds created under the Resolution. See "PLAN OF FINANCE" herein.

Security

The 2014 Series A Bonds will be issued on parity with those of the Authority's Princeton University Revenue Bonds, 2003 Series D, 2004 Series D, 2005 Series A, 2005 Series B, 2006 Series D, 2006 Series E, 2007 Series E, 2007 Series F, 2008 Series J, 2008 Series K, 2010 Series B and 2011 Series B heretofore issued under the General Resolution to finance certain facilities of the University and which will remain outstanding after the issuance of the 2014 Series A Bonds (the "Outstanding Parity Bonds") and any Additional Parity Bonds that may hereafter be issued under the General Resolution (the "Additional Parity Bonds"). The 2014 Series A Bonds are secured by a pledge of the revenues (the "Revenues") derived by the Authority pursuant to a Loan Agreement to be dated as of January 1, 2014 (the "Loan Agreement"), by and between the Authority and the University relating to the 2014 Project, pursuant to loan agreements relating to the facilities financed by the Outstanding Parity Bonds (the "Prior Loan Agreements") and pursuant to any subsequent loan agreements relating to any approved facility that the Authority may finance in the future.

Pursuant to the Loan Agreement, the Prior Loan Agreements and any subsequent loan agreements relating to any approved facility, the University agrees to make loan repayments to the Authority equal to all sums necessary for the payment of the debt service on the 2014 Series A Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds, and the full faith and credit of the University is pledged to the payments required to be made thereunder. See "SECURITY FOR 2014 SERIES A BONDS" herein.

THE 2014 SERIES A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY (TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION), OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY (TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION). THE AUTHORITY HAS NO TAXING POWER. SEE "SECURITY FOR 2014 SERIES A BONDS" HEREIN FOR A DESCRIPTION OF THE SECURITY FOR THE 2014 SERIES A BONDS AND THE OTHER PARITY BONDS OUTSTANDING UNDER THE GENERAL RESOLUTION.

Facility Z

Facility Z consists of the following primary components: (i) the major maintenance of various University buildings and other facilities, including utility systems, roads and grounds; (ii) the renovations of several buildings for extensive reconstruction; and (iii) the undertaking of several new construction projects, and may include the acquisition of land. See "PLAN OF FINANCE" herein.

THE AUTHORITY

Powers of the Authority

The Authority was duly created under the Act (*N.J.S.A.* 18A:72A-1 *et seq.*) as a public body corporate and politic constituting an instrumentality exercising public and essential governmental functions of the State of New Jersey (the "State"). The Act empowers the Authority, among other things, to make loans to public and private colleges and universities for the construction, improvement, acquisition, and refinancing of eligible projects in accordance with a lease agreement, a loan agreement or a mortgage approved by the Authority. The Authority is also authorized to provide financing for capital improvements at qualified public libraries.

The Act provides that the Authority shall not be required to pay taxes or assessments upon any of the property acquired or used by it or under its jurisdiction, control, possession or supervision, or upon its activities in the operation and maintenance of the facilities acquired or constructed for any participating college or university or upon any moneys, revenues or other income received therefrom by the Authority.

Authority Organization and Membership

Under the Act, the Authority Board consists of the Treasurer of the State, the Chair of the New Jersey Commission on Higher Education, both *ex officio*, and five citizen members appointed by the Governor of the State (the "Governor") with the advice and consent of the Senate for terms of five years each. The Act provides that deputies of the *ex officio* members may be designated to act on their behalf. Members of the Authority whose terms have expired continue to serve on the Authority until their successors are appointed and qualified. The members of the Authority serve without compensation but are entitled to reimbursement of actual and necessary expenses incurred in the discharge of their official duties.

The present members and officers of the Authority, the dates of expiration of their terms as members, their business affiliations and places of residence are as follows:

Roger B. Jacobs, Esq., Chair; term as member expires April 30, 2017; Partner, Jacobs Law Offices, LLC; West Orange.

Ridgeley Hutchinson, Vice-Chair; term as member expires April 30, 2015; New Jersey Council of Carpenters, Lambertville.

Joshua E. Hodes, Treasurer; term as member expires April 30, 2014; Public Strategies Impact; Trenton.

Katherine Munson Ungar; term as member expires April 30, 2018; Atlantic Health System; Mendham.

Louis Rodriguez; term as member expires April 30, 2016; Professional Engineer; Marlboro.

The Honorable Andrew P. Sidamon-Eristoff, Treasurer, State of New Jersey, *ex officio*.

Rochelle R. Hendricks, Secretary of Higher Education, *ex officio*.

Derek S. Hansel, Executive Director, serves as the Secretary to the Authority.

Katherine A. Newell, Director of Risk Management, serves as an Assistant Secretary to the Authority.

Sheryl A. Stitt, Director of Legislative Strategy and Public Communications, serves as an Assistant Secretary to the Authority.

Jennifer M. Soyka, Project Manager, serves as an Assistant Secretary to the Authority.

Marie P. Mueller, Controller, serves as the Assistant Treasurer to the Authority.

Outstanding Obligations of the Authority

As of September 30, 2013, the Authority has heretofore authorized and issued its obligations in a total outstanding amount of $5,019,368,701 to finance eligible projects at certain of the participating public and private colleges and universities and public libraries located in the State.

The Authority has never defaulted in payment of the maturing principal of or interest on any of its obligations.

STATE OF NEW JERSEY HIGHER EDUCATION

Pursuant to Governor Christie's Reorganization Plan 005-2011, The Commission on Higher Education has been abolished, and the responsibilities, duties, and authorities of the former Commission have been transferred to the Secretary of Higher Education.

The former New Jersey Commission on Higher Education, established by the Higher Education Restructuring Act of 1994, provided coordination, planning, policy development, and advocacy for the state's higher education system. The Commission was also responsible for institutional licensure and the administration of the Educational Opportunity Fund and other programs.

The New Jersey Higher Education system serves as the principal advocate for an integrated system of higher education which provides a broad scope of higher education programs and services. The system includes both thirty (30) public and thirty-six (36) independent institutions and enrolls over 440,000 full- and part-time credit-seeking students statewide.

The thirty (30) public colleges and universities are comprised of Rutgers, The State University of New Jersey; Rowan University, the New Jersey Institute of Technology; four (4) state colleges and four (4) state universities; and nineteen (19) community colleges. Pursuant to the New Jersey Medical and Health Sciences Restructuring Act, effective July 1, 2013, all liabilities and debt of the University of Medicine and Dentistry of New Jersey ("UMDNJ") and its assets were transferred to Rutgers University, Rowan University and University Hospital, and UMDNJ, as a legal entity, ceased to exist. The thirty-six (36) independent institutions include fourteen (14) senior colleges and universities with a public mission, one (1) independent two-year religious college, thirteen (13) rabbinical schools and theological seminaries and eight (8) proprietary institutions with degree-granting authority.

DESCRIPTION OF THE 2014 SERIES A BONDS

General

The 2014 Series A Bonds will be issued in the aggregate principal amount of $200,000,000. The 2014 Series A Bonds will be initially dated and bear interest from the date of issuance thereof at the rates per annum and will mature on July 1 in the years and in the principal amounts shown on the inside cover page of this Official Statement.

The 2014 Series A Bonds will be issued in fully registered form, without coupons, in denominations of $5,000 each or in any integral multiple thereof, all in accordance with the Resolution. Interest on the 2014 Series A Bonds will be payable initially on July 1, 2014 and semiannually thereafter on each January 1 and July 1.

Book-Entry Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2014 Series A Bonds. The 2014 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2014 Series A Bond certificate will be issued for each stated maturity of the 2014 Series A Bonds in the principal amounts shown on the inside front cover page of this Official Statement, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect

Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2014 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2014 Series A 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 2014 Series A 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 2014 Series A Bonds, except in the event that use of the book-entry system for the 2014 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2014 Series A 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 2014 Series A 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 2014 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2014 Series A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2014 Series A Bonds, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2014 Series A Bonds may wish to ascertain that the nominee holding the 2014 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2014 Series A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2014 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2014 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, and principal and interest payments on the 2014 Series A 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 Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the Authority, 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 Authority 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.

DTC may discontinue providing its services as depository with respect to the 2014 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificated bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, certificated bonds will be printed and delivered.

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

The principal or Redemption Price of, and interest on the 2014 Series A Bonds are payable to DTC by the Trustee.

Redemption Provisions

Optional Redemption. The 2014 Series A Bonds maturing on or before July 1, 2024 are not subject to optional redemption prior to their stated maturities. The 2014 Series A Bonds maturing on or after July 1, 2025 are subject to redemption prior to their stated maturities on or after July 1, 2024 at the option of the Authority upon the consent of the University or by operation of the Redemption Fund, as a whole or in part at any time (if less than all of the Outstanding 2014 Series A Bonds of any maturity shall be called for redemption, such 2014 Series A Bonds to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee), at a Redemption Price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date.

Redemption of any of the 2014 Series A Bonds shall otherwise be effected in accordance with the General Resolution.

Notice of Redemption

Notice of redemption will be mailed by the Trustee to DTC, as the registered owner of the 2014 Series A Bonds, and such mailing shall be a condition precedent to such redemption; *provided*, *however*, that the failure of any holder to receive any such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of any 2014 Series A Bonds. If less than all of the 2014 Series A Bonds of one maturity shall be called for redemption, the Trustee, at the direction of the Authority, shall notify DTC not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption of the particular amount of such maturity to be redeemed. DTC shall determine the amount of each Participant's interest in such maturity to be called for redemption, and each Participant shall then select the ownership interest in such maturity to be redeemed. At such time as DTC or its nominee is not the registered owner of the 2014 Series A Bonds, the transfer provisions and notice of redemption provisions applicable to the 2014 Series A Bonds will be adjusted pursuant to the Resolution. Any notice of optional redemption of any 2014 Series A Bonds may specify that the redemption is contingent upon the deposit of moneys with the Trustee in an amount sufficient to pay the redemption price of all the 2014 Series A Bonds or portions thereof which are to be redeemed on that date.

Negotiable Instruments

The 2014 Series A Bonds will be fully negotiable within the meaning of the Uniform Commercial Code of the State, subject only to the provisions for registration contained in the 2014 Series A Bonds.

Annual Debt Service Requirements

The following table sets forth, for each 12-month period ending on June 30, the amounts required for the payment of the principal of and interest on the Outstanding Parity Bonds issued under and pursuant to the General Resolution, the principal of and interest on certain additional long-term debt of the University, the principal of and interest on the 2014 Series A Bonds, and the total of all of such principal and interest. In accordance with the Resolution, the principal and interest requirements relating to the Outstanding Parity Bonds and the 2014 Series A Bonds for each 12-month period ending on June 30 are defined to include the respective amounts required to provide for the payment of interest due on each January 1 and each next July 1 and for the payment of principal due on each next July 1.

12 Months Ending June 30[1]	General Resolution[2]	Additional Long-Term Debt[3]	2014 Series A Bonds		Total Debt Service
			Principal	Interest	
2014	$133,278,179	$61,941,521		$ 4,158,642	$199,378,342
2015	133,239,254	63,526,209		9,073,400	205,838,863
2016	137,474,829	63,527,503	$ 2,585,000	9,073,400	212,660,732
2017	137,532,979	62,693,361	2,690,000	8,944,150	211,860,490
2018	137,553,623	62,693,174	2,790,000	8,809,650	211,846,447
2019	136,878,204	562,695,115	2,905,000	8,670,150	711,148,469
2020	133,281,472	37,944,531	3,020,000	8,524,900	182,770,903
2021	123,856,441	37,943,111	3,140,000	8,373,900	173,313,452
2022	121,796,541	37,777,650	3,270,000	8,248,300	171,092,491
2023	113,683,685	37,777,650	3,400,000	8,084,800	162,946,135
2024	102,049,150	37,777,650	3,530,000	7,914,800	151,271,600
2025	100,837,625	37,777,650	3,710,000	7,738,300	150,063,575
2026	100,443,263	37,777,650	29,440,000	7,552,800	175,213,713
2027	100,798,313	37,777,650	29,630,000	6,080,800	174,286,763
2028	100,894,569	37,777,650	29,840,000	4,895,600	173,407,819
2029	101,056,325	37,777,650	30,050,000	3,702,000	172,585,975
2030	85,802,850	37,777,650		2,500,000	126,080,500
2031	79,350,475	37,777,650		2,500,000	119,628,125
2032	74,404,400	37,777,650		2,500,000	114,682,050
2033	74,484,463	37,777,650		2,500,000	114,762,113
2034	74,467,250	37,777,650		2,500,000	114,744,900
2035	74,486,563	37,777,650		2,500,000	114,764,213
2036	67,532,413	37,777,650		2,500,000	107,810,063
2037	67,731,338	37,777,650		2,500,000	108,008,988
2038	47,561,638	37,777,650		2,500,000	87,839,288
2039	32,040,700	537,777,650		2,500,000	572,318,350
2040	32,154,513	9,277,650		2,500,000	43,932,163
2041	16,068,531	9,277,650		2,500,000	27,846,181
2042		179,277,650		2,500,000	181,777,650
2043		3,545,250		2,500,000	6,045,250
2044		78,545,250	50,000,000	2,500,000	131,045,250
Total*	**$2,640,739,582**	**$2,412,885,675**	**$200,000,000**	**$157,345,592**	**$5,410,970,849**

[1] With respect to principal and interest payments by the University on the Outstanding Parity Bonds and the 2014 Series A Bonds, the table reflects the amount of principal and interest payments required to be provided by the University to the Trustee during each 12-month period ending on June 30; includes principal and interest due on July 1 of the following period. With respect to principal and interest on the taxable debt, the table reflects payments that are due on July 1 of the following period.

[2] Includes the 2003 Series D Bonds, the 2004 Series D Bonds, the 2005 Series A Bonds, the 2005 Series B Bonds, the 2006 Series D Bonds, the 2006 Series E Bonds, the 2007 Series E Bonds, the 2007 Series F Bonds, the 2008 Series J Bonds, the 2008 Series K Bonds, the 2010 Series B Bonds, and the 2011 Series B Bonds.

[3] Includes the University's portion of the Authority's Capital Improvement Fund and Dormitory Safety Trust Fund Bonds which are not secured by the General Resolution, the Taxable Bonds 2009 Series A, the 2012 Taxable Notes and the 2013 Taxable Notes. Does not include other third party debt. See Appendix A - "Princeton University – Third Party Debt" herein for additional information regarding the outstanding indebtedness of the University.

*Totals may not foot due to rounding.

PLAN OF FINANCE

The 2014 Series A Bonds are being issued to: (i) finance (in whole or in part) the costs of the acquisition, construction, renovation and installation of certain capital assets to be located at or near the University's main campus in Princeton, New Jersey, at its Forrestal Campus in Plainsboro, New Jersey, or at its administrative building at 701 Carnegie Center in West Windsor, New Jersey consisting of (a) the renovation and repair of various University buildings and other facilities, including utility systems, roads, grounds and parking, (b) the construction of academic, administrative and/or student related capital facilities, and (c) the acquisition of land (collectively, "Facility Z"); (ii) refund a portion of the Authority's Princeton University Commercial Paper Notes, Series 2012A (Tax-exempt); (iii) refund a portion of The Trustees of Princeton University Taxable Commercial Paper Notes ((i), (ii) and (iii) collectively referred to as the "2014 Project") and (iv) pay certain costs incidental to the sale and issuance of the 2014 Series A Bonds, including deposits to certain funds created under the Resolution.

Facility Z consists of the following primary components:

(i) *Major Maintenance.* The University defines major maintenance as all of those projects designed to extend the useful life of a building or other facility or to make that building or facility suitable for other uses. The University expects to spend approximately $7,500,000 on such projects between June 2013 and January 2016.

(ii) *Renovations.* The University has identified several buildings, particularly dormitories, that comprise a multi-year program of extensive reconstruction to bring the buildings up to all current code requirements and functionality standards. These projects go beyond the usual definition of *Major Maintenance*, and may require removing an entire building from service for periods of one year or more while reconstruction takes place. The University expects to spend approximately $44,534,544 on such projects between June 2013 and January 2016.

(iii) *Construction.* The University is undertaking a number of new construction projects at this time. These projects consist of the construction of certain academic, athletic, residential and administrative facilities for the University at its main campus and may include the acquisition of certain land. The University expects to spend approximately $17,000,000 on such projects between June 2013 and January 2016.

Estimated Costs

Major Maintenance	$ 7,500,000
Renovations	44,534,544
Construction	17,000,000
TOTAL FACILITY Z	$69,034,544
Refunding Portion	$150,000,000
TOTAL	$219,034,544

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2014 Series A Bonds, along with other available moneys of the University, will be applied approximately as follows:

Sources:		
	Principal Amount of 2014 Series A Bonds	$200,000,000
	Original Issue Premium	19,254,544
	University Contribution for Costs of Issuance	346,750
	TOTAL SOURCES	$219,601,294
Uses:		
	Deposit to Construction Fund	$219,034,544
	Underwriter's Discount	220,000
	Costs of Issuance Expenses [1]	346,750
	TOTAL USES	$219,601,294

[1] Includes fees and expenses of Bond Counsel, the Trustee and other associated issuance costs.

SECURITY FOR 2014 SERIES A BONDS

General

The 2014 Series A Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds that may hereafter be issued under the General Resolution are special and limited obligations of the Authority payable from the Revenues received by the Authority pursuant to the Loan Agreement, the Prior Loan Agreements and any subsequent loan agreements relating to future facilities to be financed or refinanced by Additional Parity Bonds.

The General Resolution provides, among other things, that (i) the General Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the owners, from time to time, of the 2014 Series A Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds; (ii) the pledge made and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the owners of all of the 2014 Series A Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds, which, regardless of their times of issue or maturity, shall be of equal rank without preference, priority or distinction of any of the 2014 Series A Bonds, the Outstanding Parity Bonds or any Additional Parity Bonds over any other thereof, except as expressly provided or permitted under the Resolution; (iii) the Authority pledges and assigns to the Trustee the Revenues as security for the payment of the 2014 Series A Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds and the interest thereon and as security for the performance of any other obligation of the Authority under the General Resolution; (iv) the pledge made by the General Resolution is valid and binding from the time when such pledge is made, the Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof; and (v) the 2014 Series A Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds shall be special and limited obligations of the Authority payable from and secured by a pledge of the Revenues as provided in the General Resolution.

THE 2014 SERIES A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY (TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION), OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY (TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION). THE AUTHORITY HAS NO TAXING POWER.

The 2014 Series A Bonds are secured by a pledge of the Revenues. The payments of the University required under the Loan Agreement are general, unconditional obligations of the University. The University has pledged its full faith and credit to make such payments pursuant to the Loan Agreement.

CONTINUING DISCLOSURE

Pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the University will enter into an undertaking in the form of a Continuing Disclosure Agreement, substantially in the form included as Appendix D to this Official Statement, in which the University will covenant, for the benefit of the holders of the 2014 Series A Bonds, to provide or cause a dissemination agent to provide certain financial information and operating data and notice of certain enumerated events to the MSRB (as such term is defined in the Continuing Disclosure Agreement).

The successful bidder's obligation to purchase and accept delivery of the 2014 Series A Bonds is conditioned upon their receiving, at or prior to the delivery of the 2014 Series A Bonds, evidence that the University has made the continuing disclosure undertaking set forth in the Continuing Disclosure Agreement.

A failure by the University to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in the Continuing Disclosure Agreement will not constitute an Event of Default under either the Resolution or the Loan Agreement, and the holders of the 2014 Series A Bonds are limited to the remedies set forth in the Continuing Disclosure Agreement.

The Authority and the holders of the 2014 Series A Bonds are recognized under the Continuing Disclosure Agreement as being third-party beneficiaries thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder in favor of the Trustee or the holders of the 2014 Series A Bonds, as the case may be.

In connection with the issuance of the Outstanding Parity Bonds, the University entered into continuing disclosure undertakings to provide certain financial information, operating data and notices of certain listed events with certain national repositories in accordance with the terms thereof. The continuing disclosure undertakings required the University to timely file, or cause its dissemination agent to file, for each fiscal year its annual audited financial statements and updates of financial and operating data contained in Appendix A of the offering documents for the Outstanding Parity Bonds (collectively, the "annual report"). The University filed all required information in the annual report for each of the past five years; however, the University's annual reports for the fiscal years ended in 2011 and 2012 were each filed approximately two weeks late. The University is currently in compliance with its continuing disclosure obligations, intends to fully comply with all current and future continuing disclosure undertakings and has implemented internal procedures to ensure all future filings are completed on a timely basis in accordance with Rule 15c2-12.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P") have assigned the 2014 Series A Bonds ratings of "Aaa" and "AAA," respectively. The ratings represent the respective rating agency's evaluation of debt service repayment capacity of the University.

Such ratings reflect the view of Moody's and S&P at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. Any explanation of the significance of the ratings may be obtained from Moody's and S&P. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's and S&P if, in the judgment of Moody's and S&P, circumstances so warrant. Any such downward revision, qualification or withdrawal of the ratings can be expected to have an adverse effect on the market price of the 2014 Series A Bonds.

TAX EXEMPTION

Exclusion of Interest on 2014 Series A Bonds from Gross Income for Federal Income 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 2014 Series A Bonds in order to assure that interest on the 2014 Series A Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Authority or the University to comply with such requirements may cause interest on the 2014 Series A Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the 2014 Series A Bonds. The Authority and the University have covenanted to comply with the provisions of the Code applicable to the 2014 Series A Bonds, and have covenanted not to take any action or fail to take any action that would cause interest on the 2014 Series A Bonds to lose the exclusion from gross income under Section 103 of the Code or cause interest on the 2014 Series A Bonds to be an item of tax preference under Section 57 of the Code.

Assuming the Authority and the University observe their covenants with respect to compliance with the Code, McCarter & English, LLP, Bond Counsel to the Authority, is of the opinion that, under existing law, interest on the 2014 Series A 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 2014 Series A Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the 2014 Series A Bonds, interest on the 2014 Series A Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the 2014 Series A Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the 2014 Series A Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the 2014 Series A 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.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the 2014 Series A Bonds from gross income pursuant to Section 103 of the Code and interest on the 2014 Series A Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the 2014 Series A Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2014 Series A Bonds.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the 2014 Series A Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

LEGALITY FOR INVESTMENT

Pursuant to the Act, all bonds, notes and other obligations issued by the Authority under the provisions of the Act, including the 2014 Series A Bonds, are securities in which the State and all political subdivisions of the State, their officers, boards, commissions, departments or other agencies, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, all administrators, executors, guardians, trustees and other fiduciaries, and all other persons whatsoever who now or hereafter may be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital belonging to them or within their control. Bonds, notes or other securities or obligations of the Authority are also securities that may properly and legally be deposited with and received by any State or municipal officer or agency of the State for any purpose for which the deposit of bonds or other obligations of the State are authorized by law.

PLEDGE OF STATE NOT TO AFFECT RIGHTS OF BONDHOLDERS

Pursuant to the provisions of the Act, the State has pledged to and agrees with the holders of the 2014 Series A Bonds issued pursuant to authority contained in the Act, and with those parties who may enter into contracts with the Authority pursuant to the provisions of the Act, that the State will not limit, alter or restrict the rights vested by the Act in the Authority and the participating colleges (as defined in the Act) to maintain, construct, reconstruct and operate any project (as defined in the Act) or to establish and collect such rents, fees, receipts or other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of maintenance and operation thereof and to fulfill the terms of any agreements made with the Bondholders authorized by the Act, and with the parties who may enter into contracts with the Authority pursuant to the provisions of the Act, or in any way impair the rights or remedies of such Bondholders or such parties until the 2014 Series A Bonds, together with interest thereon, are fully paid and discharged and such other contracts are fully performed on the part of the Authority.

LEGAL MATTERS SUBJECT TO APPROVAL OF COUNSEL

All legal matters incident to the authorization and issuance of the 2014 Series A Bonds are subject to the unqualified approving opinion of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Authority. Copies of said approving opinion, in substantially the form included as Appendix E to this Official Statement, will be available at the time of delivery of the 2014 Series A Bonds. Certain legal matters will be passed on for the University by Ballard Spahr LLP, Philadelphia, Pennsylvania, Counsel to the University and by Peter G. McDonough, Esq., Princeton, New Jersey, General Counsel to the University.

LITIGATION

The Authority

There is not now pending or, to the knowledge of the Authority, threatened any proceeding or litigation restraining or enjoining the issuance or delivery of the 2014 Series A Bonds or questioning or affecting the validity of the 2014 Series A Bonds or the proceedings or authority under which the 2014 Series A Bonds are to be issued. There is no litigation pending or, to the knowledge of the Authority, threatened that in any manner questions the right of the Authority to adopt the Resolution, to enter into the Loan Agreement or to secure the 2014 Series A Bonds in the manner herein described.

The University

There is not now pending or, to the knowledge of the University, threatened any proceeding or litigation contesting the 2014 Project, the Loan Agreement or the 2014 Series A Bonds or the ability of the University to perform its obligations under the Loan Agreement.

FINANCIAL ADVISOR

The Yuba Group LLC, also known as Yuba Group Advisors, is serving as financial advisor to the University (the "University Financial Advisor") in connection with the issuance of the 2014 Series A Bonds. The University Financial Advisor is not contractually obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The University Financial Advisor is a financial advisory and consulting organization, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instruments.

INDEPENDENT ACCOUNTANTS

The financial statements of the University as of June 30, 2013 and 2012 and for the years then ended, included in Appendix B-1 to this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein, which expresses an unqualified opinion on those financial statements.

UNDERWRITING

The 2014 Series A Bonds have been sold by public sale in a competitive bid and are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), as successful bidder for the 2014 Series A Bonds pursuant to the Official Notice of Sale dated December 19, 2013. The Underwriter submitted a winning bid to purchase all of the 2014 Series A Bonds at a discount of $220,000.00 from the original offering prices determined based upon the original offering yields set forth on the inside cover of this Official Statement.

MISCELLANEOUS

The description of the University contained in Appendix A attached hereto has been furnished by the University.

The "REPORT ON INVESTMENTS, 2012-13" contained in Appendix B-2 attached hereto has been furnished by the University.

Information herein regarding DTC has been provided by DTC.

The summaries of the General Resolution, the 2014 Series A Series Resolution and the Loan Agreement set forth in Appendix C attached hereto do not purport to be complete and are made subject to the detailed provisions thereof, to which reference is hereby made. Copies of the above documents and of the most recent financial statements of the Authority are available for inspection at the office of the Authority.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Derek S. Hansel
Derek S. Hansel
Executive Director

Approved:

THE TRUSTEES OF PRINCETON UNIVERSITY

By: /s/ Carolyn N. Ainslie
Carolyn N. Ainslie
Vice President for Finance and Treasurer

Dated: January 8, 2014

APPENDIX A

PRINCETON UNIVERSITY

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APPENDIX A

PRINCETON UNIVERSITY

General

Princeton University (the "University") is a privately endowed, non-sectarian institution of higher learning. When Princeton University was chartered in 1746 as The Trustees of the College of New Jersey, it became the fourth college in British North America. It was renamed Princeton University in 1896. Originally located in Elizabeth, New Jersey, and later located in Newark, New Jersey, the school was moved to Princeton, New Jersey, in 1756.

Midway between New York and Philadelphia, the University has expanded considerably since its early years. It now covers over 2,500 acres, of which about 500 comprise the main campus. The Forrestal campus, located approximately three miles from the main campus in Plainsboro Township, adjacent to Princeton Forrestal Center, contains mostly support and research facilities. The University has over 11 million gross square feet of building space on and off campus: about 42% for academic buildings including the library, about 23% for administrative and athletic facilities, almost 30% for dormitories and graduate housing and more than 5% for off-campus housing and commercial real estate properties.

The student body numbers approximately 5,260 undergraduates and 2,650 graduate students in approximately 90 departments and programs. The University offers instruction in the liberal arts and sciences and in professional programs of the School of Architecture, the School of Engineering and Applied Science and the Woodrow Wilson School of Public and International Affairs. The faculty numbers approximately 1,180, including visitors and part-time appointments.

Governance and Administration

The University is governed by a Board of Trustees (the "Trustees") whose number, unless otherwise approved by the board, is set at not less than twenty-three nor more than forty, with two members *ex officio* (the Governor of the State of New Jersey and the President of the University), not more than twenty-one Charter Trustees, not less than four nor more than ten Term Trustees, and not more than thirteen Alumni Trustees. As of July 1, 2013, the Trustees are as follows:

The principal trustee committees are the Executive Committee, the Committee on Finance, the Audit and Compliance Committee, the Committee on Grounds and Buildings, the Committee on Academic Affairs, the Committee on Student Life, Health and Athletics, and the Committee on University Resources. The Committee on Finance is responsible for the financial management and budgeting of the University. In April 1987, the responsibility for day-to-day oversight of the University's investment portfolio was delegated to the directors of the Princeton University Investment Company ("PRINCO"). The directors of PRINCO are responsible to the Trustees for the management of the portfolio, reporting directly to the Committee on Finance. PRINCO has a twelve-member Board of Directors. Eight members are elected; the President and the Treasurer of the University, the President of PRINCO and the Chair of the Committee on Finance serve as *ex officio* members. Andrew K. Golden is the President of PRINCO and Phillip U. Hammarskjold is the Chair of its Board of Directors.

The policies of the Trustees are carried out under the direction of the President of the University, Christopher L. Eisgruber. Among the other principal officers of the University are the Provost –David S. Lee; Vice President for Finance and Treasurer – Carolyn N. Ainslie; Vice President and Secretary – Robert K. Durkee; Executive Vice President–Treby McL. Williams; Vice President for Facilities – Michael E. McKay; and General Counsel – Peter G. McDonough.

A brief description of each of these University officials, including the President of PRINCO, follows:

Christopher L. Eisgruber was elected Princeton University's twentieth president on April 21, 2013, and assumed office on July 1, 2013. He is the Laurance S. Rockefeller Professor of Public Affairs in the Woodrow Wilson School and the University Center for Human Values. Before becoming president, he served as Princeton's provost from 2004-2013 and as Director of Princeton's Program in Law and Public Affairs from 2001-2004. A renowned constitutional scholar, he is the author of *The Next Justice: Repairing the Supreme Court Appointments Process* (Princeton 2007), *Religious Freedom and the Constitution* (co-authored with Lawrence G. Sager, Harvard 2007), and *Constitutional Self-Government* (Harvard 2001), as well as numerous articles in books and academic journals. Before joining the faculty in 2001, he clerked for Judge Patrick Higginbotham of the United States Court of Appeals for the Fifth Circuit and for Justice John Paul Stevens of the United States Supreme Court, and then served on the faculty of the New York University School of Law for eleven years. President Eisgruber received an A.B. *magna cum laude* in Physics from Princeton, an M. Litt. in Politics from Oxford University, and a J.D. from the University of Chicago Law School.

David S. Lee became the Provost of the University on July 1, 2013. He joined the University in 2007 as professor of economics and public affairs and in 2009 became director of the Industrial Relations Section, an academic unit that promotes research and training in labor economics. Before joining the Princeton faculty as a member of the Department of Economics and the Woodrow Wilson School of Public Affairs, Dr. Lee was a professor of economics at Columbia University from 2006-07, an associate professor at the University of California-Berkeley in 2006, an assistant professor at UC-Berkeley from 2000-06, and an assistant professor at Harvard from 1999-2000. He was a faculty research fellow for the National Bureau of Economic Research from 1999-2008, and has been a research associate for the bureau since 2009. Dr. Lee received a bachelor's degree in economics from Harvard University and a master's and Ph.D. in economics from Princeton.

Carolyn N. Ainslie became the Vice President for Finance and Treasurer effective October 1, 2008. From 1998 to 2008, she served as Vice President for Planning and Budget at Cornell University and held various other positions at Cornell since 1986. She is a graduate of Bucknell University with an MBA from the University of Rochester. Ms. Ainslie serves on the board of the Princeton University Investment Company, the University Concert Committee and the National Student Clearinghouse Board.

Robert K. Durkee became Vice President and Secretary of the University on January 1, 2004. In this capacity he serves as a senior adviser to the president, provides administrative support for the Trustees and oversees the official convocations of the University such as Commencement. He also serves as the University's vice president for public affairs, a position he has held since 1978. In addition to his work at the University, Mr. Durkee's board memberships have included the Washington, D.C.-based Fair Labor Association (which he has served as acting chair), the Association of Independent Colleges and Universities of New Jersey, the Council for Advancement and Support of Education, the Consortium on Financing Higher Education, and McCarter Theater. Mr. Durkee received his A.B. degree *magna cum laude* from the University in 1969, and earned a master of arts in teaching degree from Montclair State University in 1971.

Treby McL. Williams was appointed Executive Vice President of Princeton University effective November 18, 2013. She has been with the University since 2005. Prior to joining the Office of the Vice President, Ms. Williams was Director of the Office of Development Priorities for two years. Ms. Williams served as an Assistant U.S. Attorney in the Southern District of New York and the district of New Jersey from 1992 to 2004 and also worked as an attorney for three years for Coudert Brothers in London and New York. Ms. Williams is a 1984 graduate of Princeton University and earned a law degree from New York University School of Law.

Michael E. McKay was appointed Vice President for Facilities effective July 2003. He has been with the University since 1977. Prior to being appointed Vice President for Facilities, Mr. McKay served as the General Manager of Plant and Services for ten years. He earned a B.S. in engineering from the U.S. Military Academy of West Point and a masters degree in management from Boston University. Mr. McKay has served as president of the International District Energy Association and on the boards of the New Jersey Independent Energy Producers and Coalition for Competitive Energy.

Peter G. McDonough is General Counsel for the University. He has been with the University since 1990. Prior to being elevated to General Counsel as of February 1, 2002, Mr. McDonough served as University Counsel. Mr. McDonough came to the University in 1990 from Morgan, Lewis & Bockius' New York office, where he practiced as a litigator and trial lawyer in federal and state courts, as well as various arbitration forums. He received his A.B. (in Economics) and J.D. from Georgetown University.

Andrew K. Golden became the third President of Princeton University Investment Company in January 1995. He came to PRINCO from Duke Management Company where he was an Investment Director. Prior to that time, he served as a Senior Associate in the Investments Office at Yale University. Mr. Golden holds a B.A. from Duke University and an M.P.P.M. from the Yale School of Organization and Management.

Academic Programs and Facilities

The University is a relatively small university that combines many of the advantages of a small liberal arts college with those of a large research-oriented university. With approximately 7,900 students, the University is smaller than most major research universities, yet its faculty is one of the most distinguished in the world and its research activities are internationally recognized.

The University offers two undergraduate degree programs: the Bachelor of Arts and the Bachelor of Science in Engineering. Programs of study in the humanities, the natural sciences and the social sciences lead to the Bachelor of Arts degree, with courses and programs of study offered in more than sixty subjects. The Bachelor of Science in Engineering degree is offered in the departments of chemical engineering, civil and environmental engineering, operations research and financial engineering, electrical and biological engineering, computer science, and mechanical and aerospace engineering; additionally, students may study in the subject areas of applications of computing, architecture and engineering, engineering and management systems, engineering biology, engineering physics, geological engineering, technology and society, materials science and engineering, and robotics and intelligent systems.

The Graduate School comprises forty-two degree granting academic departments and programs offering over sixty areas of concentration. Fields of study leading to the doctorate are offered in the humanities, social and natural sciences, engineering, architecture and public affairs. In addition, the Graduate School offers courses of study leading to the degrees of Master of Architecture, Master of Arts in Near Eastern Studies, Master in Public Affairs (2 years), Master in Public Policy (1 year), Master of Engineering (1 year), Master of Finance, Master of Science in Engineering (2 years) and Master of Science in Chemistry. The Master of Arts and Master of Fine Arts (music only) are incidental degrees for which doctoral students may apply after passing the appropriate department requirements.

The University is accredited by the Middle States Commission on Higher Education. It also has professional accreditation from the National Architectural Accreditation Board, the Engineering Accrediting Commission of the Accreditation Board for Engineering and Technology, and the Teacher Education Accreditation Council.

The University is a member of the American Academy of Arts and Sciences, American Council on Education, American Council of Learned Societies, Association of American Universities, The College Board, Consortium of Social Science Associations, Council on Government Relations, Council for Higher Education Accreditation, Folger Institute, Forum for the Future of Higher Education, Greater Mercer Transportation Management Association, National Association of College and University Business Officers, National Association of Independent Colleges and Universities, New Jersey Association of Colleges and Universities, New Jersey Business & Industry Association, PlanSmart NJ, and the Rotary Club of Princeton.

The University maintains a major library system, with more than 7,000,000 printed volumes, 5,000 manuscripts, 2,000,000 non-print items, and extensive collections of digital text, data and images. The collections are housed in 11 modern separate library facilities, serving faculty and students in all 34 of the University's academic departments.

Faculty

The University consists of a single faculty that teaches on both the graduate and undergraduate levels. There are approximately 883 full-time faculty members with the titles Professor, Associate Professor, Assistant Professor, Instructor, Senior Lecturer and Lecturer. In addition, approximately 260 people each year are appointed to positions as visiting or part-time faculty. Counting all faculty, there is approximately one faculty member for each six students (graduate plus undergraduate), one of the most favorable ratios of any school in the country.

Approximately 60% of the University's full-time faculty is tenured. The University has generally followed a policy of not paying the academic year salaries of its tenured faculty members with sponsored research funds. Although there are certain exceptions to this policy, the University has been generally successful in allocating other funds to support faculty positions, including endowment earnings and tuition revenues. This policy is specifically designed to protect the University's instructional program from the inevitable fluctuations in federal support for sponsored research.

The table below sets forth the full-time equivalent faculty over the last five years:

Full-Time Equivalent Faculty*

Academic Year	Tenured	Non-Tenured on Tenure Track	Others Non-Tenured	Total
2008-09	542	164	230	936
2009-10	548	156	211	915
2010-11	539	164	240	943
2011-12	544	171	243	958
2012-13	567	178	245	990

*The actual number of people appointed to the faculty is slightly higher than indicated, but the University maintains budget control by limiting the number of "full-time equivalents."

Student Enrollments

The University places primary emphasis on undergraduate education within the setting of a major research university. The following table provides data on student enrollments and the number of degrees awarded in the past five academic years:

	Enrollments			Degrees Awarded	
Academic Year	Undergraduate	Graduate	Total	Bachelor	Advanced
2008-09	4,895	2,452	7,347	1,136	752
2009-10	5,044	2,450	7,494	1,188	804
2010-11	5,149	2,545	7,694	1,219	815
2011-12	5,173	2,584	7,757	1,248	832
2012-13	5,264	2,648	7,912	1,271	892

The University's students come from every section of the country, with students from each of the fifty states represented in the student body almost every year. The University's high retention rate of 98% and high graduation rate of 96% result primarily from the academic quality of the students who are admitted.

In 2000, the Trustees approved an increase in the size of the undergraduate student body of approximately 10% to enhance the quality of the overall educational experience at the University and make more effective use of the University's resources. This growth of 500 students began with a gradual increase of students admitted for the fall of 2005, followed by similar increases for subsequent years, with a goal of 125 new freshmen in each class, or approximately 1,300 total freshmen. This undergraduate growth is now complete.

The table below sets forth the recent undergraduate applicants to the University, the number of such applicants accepted by the University and the number of those accepted who enrolled:

Academic Year of Matriculation	Completed Applications	Total Admitted	Selectivity Rate	Total Enrolled	Yield Rate
2009-10	21,963	2,209	10%	1,301	59%
2010-11	26,247	2,311	9%	1,312	57%
2011-12	27,189	2,300	8%	1,304	57%
2012-13	26,664	2,094	8%	1,367	65%
2013-14	26,498	1,963	7%	1,291	66%

The average freshman typically scores in the top 5% of the high school seniors who annually take the College Entrance Examination Board's SAT and ranks in the top 10% of his or her high school class. The middle 50 percent of the fall 2013 freshman class scored between 700 and 800 on the critical reasoning section of the SAT and between 710 and 800 on the math section, and between 710 and 790 on the writing section. Approximately 3.5% of recent graduating classes have been awarded scholarships for graduate study which include the Rhodes, Marshall and Fulbright awards. A high percentage of Princeton graduates pursue graduate and professional education. In recent years, roughly 20-25% of each senior class has planned to attend graduate or professional school after graduation from the University.

The University expects the number of applications to remain quite high for the foreseeable future.

The following table sets forth similar statistics for the graduate school:

Academic Year of Matriculation	Completed Applications	Total Admitted	Total Accepted
2009-10	10,128	1,069	550
2010-11	11,123	1,193	636
2011-12	11,689	1,197	623
2012-13	12,077	1,232	620
2013-14	11,179	1,223	586

Excludes visitors and non-degree candidates.

Tuition and Fees

The full-time tuition charge for the 2013-2014 academic year is $40,170 for both undergraduate and graduate students. A five-year summary of annual tuition rates follows:

Academic Year	Tuition Rate
2009-10	$ 35,340
2010-11	36,640
2011-12	37,000
2012-13	38.650
2013-14	40,170

In addition, the standard room rate for undergraduates for the 2013-2014 academic year is $7,220 and the board rate is $5,860. For graduate students, the average room rate is $6,091 and the average board rate is $3,250.

Tuition and room and board expenses are expected to increase somewhat over the next five years. Although no assurances can be given that such increases will exactly match the general rate of inflation, it is the intention of the University to make every effort to ensure that Princeton University is affordable.

Financial Aid

As a matter of policy, the University's undergraduate admission decisions are made without any consideration of a student's financial need, and all admitted students who have demonstrated financial need are provided the financial aid they require. A portion of each student's financial aid package has traditionally comprised loans and part-time employment, but scholarship assistance is provided as well. The formulas for determining student and parental contributions were substantially liberalized for all classes entering in 1998 and subsequent years. Starting with the 2001-2002 academic year, the Trustees approved further significant expansions in aid for undergraduate and graduate students, including the elimination of any loan requirement for all undergraduate aid students. The University has been able to sustain this commitment to financial aid for several reasons. First, financial aid has been given a high priority in the normal budgeting process. Second, alumni and other benefactors have been especially generous in providing endowment support for the financial aid program; earnings from the endowment are expected to provide approximately $101 million for undergraduate scholarships in the 2013-2014 academic year. Third, State and federal student aid programs complement the funds the University itself has provided in this area. The University expects to meet all of its commitments to students, using University funds as necessary in order to continue to admit students without consideration of financial need.

Approximately 59% of the current undergraduate student body annually receives need-based financial aid from the University or from outside sources. In 2013-2014, a total of $121 million is budgeted for undergraduate scholarship aid through the University. State and federal government funds account for 3% of this figure, and outside scholarships (such as National Merit awards and other similar scholarships supported by non-University groups) make up another 3% of the total. The remaining 94% is provided from income earned on the endowment or from general University funds.

Graduate student aid is substantial and awarded largely on the basis of merit. During the 2013-2014 academic year, approximately $168 million is budgeted for this purpose, including research and teaching assistantships. This total reflects expanded support for first-year fellowships in engineering and the natural sciences and summer support for students in the humanities and social sciences, both of which began in 2001-2002 along with the undergraduate aid enhancements described above.

Alumni

Princeton University alumni have contributed with leadership and distinction to many fields of human endeavor. Its alumni have included Presidents of the United States, distinguished public servants and diplomats, Nobel Prize winners in several academic fields, outstanding writers and recognized leaders in business, law and finance. The University has assisted in the education of talented and diverse individuals from throughout the country and the world. At present, the University has approximately 84,000 living alumni with the greatest concentrations in New York, California, New Jersey, Massachusetts and Pennsylvania.

Fund Raising

For the fiscal years 2009 through 2013, the University has received, on average, approximately $229.2 million per year in gifts from alumni and other supporters of the University. Support from alumni, corporations and foundations is used to support the University's priorities. Annual Giving is a hallmark of the University's fundraising providing unrestricted resources to the operating budget.

For the year ended June 30, 2013, receipts from private gifts and grants totaled $242.7 million, while the present value of outstanding pledges at year-end was $261.3 million. Annual Giving for fiscal year 2013 was $57.0 million, with 61.1% participation by undergraduate alumni.

Financial Statements

The University presents its financial statements in accordance with the reporting and accounting standards established by the Financial Accounting Standards Board for not-for-profit organizations. Under these standards, resources are grouped into separate classes of net assets based on the existence or absence of donor-imposed use and/or time restrictions. Net assets that have similar characteristics are combined into one of the net asset classes briefly described below:

Unrestricted net assets are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. The unrestricted category also includes income and gains or losses on these funds.

Restricted net assets are generally established to fund specific purposes such as professorships, research, faculty support, scholarships and fellowships, athletics, library and art museum, building construction and other donor-specified purposes. Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions and time restrictions imposed by donors or implied by the nature of the gift, or by the interpretations of law. Temporary restrictions are normally released upon the passage of time or the incurrence of expenditures that fulfill the donor-imposed purpose. Permanently restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that are required to be permanently retained. Investment earnings are spent for general or specific purposes in accordance with donor wishes, based on the University's endowment spending rule.

The financial statements of the University include the Statements of Financial Position as of June 30, 2013 and 2012, and the Statements of Activities and the Statements of Cash Flows for the fiscal years ended June 30, 2013 and 2012. See Appendix B-1 attached hereto. See Appendix B-2 for supplemental information in the Report on Investments attached hereto. The University's consolidated financial statements include the accounts of its wholly owned subsidiaries and foundation controlled by the University.

The Statement of Activities reflects the annual change in the amount and nature of the University's net assets. The following selected financial data for the five years ended June 30, 2013 are derived from the audited financial statements of the University. Amounts for the year ended June 30, 2012 have been revised to conform to the fiscal year 2013 presentation. The data should be read in conjunction with the audited financial statements and related notes.

(in thousands of dollars)

	As of June 30, 2009	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013
Operating activities:					
Total revenues	$1,259,443	$1,256,899	$1,356,316	$1,401,215	$1,479,205
Total expenses	(1,161,660)	(1,235,024)	(1,286,513)	(1,317,454)	(1,358,553)
Net increase	$ 97,783	$ 21,875	$ 69,803	$ 83,761	$ 120,652
Nonoperating activities:					
Net increase (decrease)	$(4,321,013)	$1,268,510	$2,512,252	$ 7,124	$1,218,499
Increase(decrease) in net assets	$(4,223,230)	$1,290,385	$2,582,055	$ 90,885	$1,339,151

From 2009 to 2013 total revenues increased from $1.3 billion to $1.5 billion or by 17%. Over the same five-year period, total expenses increased from $1.2 billion to $1.4 billion or by 17%.

Operating activity includes sources of revenue such as tuition, gifts and grants, auxiliary activities and investment income made available for spending pursuant to the University's spending rule. The costs and expenses necessary to meet the University's education and research mission are deducted from operating revenue. Non-operating activity includes all investment income (less the amount made available for spending), including realized and unrealized gains, the present value of promises to give and revenue from miscellaneous sources.

The Statement of Activities is designed to illustrate an organization's financial performance over a period of time, generally twelve months, and reflects the University's ability to meet its annual operating costs and expenses from current revenues. Explanations of the major revenue and expense categories in the Statement are given in the following paragraphs:

Tuition and Fees represent an important source of the University's income that is under its control. The full amount of tuition for each student is taken into income even though a portion may be derived from scholarships or loan funds or student employment. Under accounting requirements, scholarship and fellowship expenditures are shown as a reduction of revenue. For fiscal year 2014, the tuition rate reflects a 3.9% increase, with an overall increase in tuition and fees of 3.8%. Although tuition has increased more than the CPI over the last decade, the University has increased its financial aid significantly to ensure that all admitted undergraduate students can afford to attend.

Government Grants and Contracts represent another source of University income; however, nearly 82% of these funds were restricted in fiscal year 2013. Of these restricted funds, roughly one half were for the Princeton Plasma Physics Laboratory. Although the bulk of total grant receipts comes from the federal government, the State of New Jersey contributed approximately $0.5 million in fiscal year 2013 for a variety of specific purposes. There would clearly be an adverse impact on the University if government funds were eliminated or significantly reduced, but most of these funds support specific research projects that would not be continued at their existing levels if outside funds were reduced.

In addition to funds for direct research expenditures on federal government grants and contracts, the University is permitted to recover indirect costs for a percentage share of administrative costs, library expenditures, maintenance of the physical plant and similar items that are essential components of the University environment, and therefore are necessary to conduct research in that setting. These facilities and administrative recoveries comprised $47 million of revenues in fiscal year 2013.

Private Gifts, Grants and Contracts consist of two major components: support for particular projects sponsored by foundations, corporations or individuals; and spendable gifts and grants, including the University's Annual Giving campaign, which are unrestricted revenue. Gift revenues include amounts that are unrestricted, temporarily restricted and permanently restricted depending on donor-imposed conditions. Under FASB Accounting Standards Codification ("ASC") 958-310, *Not-for-Profit Entities-Receivables* (formally Statements of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made), unconditional promises to give are recognized as revenues in the year made, not in the year in which the cash is received, and the amounts are present-valued based on expected collections.

Sales and Services of Auxiliary Activities include revenues from the Athletics Department, dormitory and food services, systems and technical support, and rental housing.

Investment Income includes dividends, interest, and realized and unrealized appreciation and depreciation arising from the investments in the University's portfolio. The University follows a policy of reinvesting a portion of the portfolio's return, in order to provide some protection against inflation and, in general, in managing the endowment in such a way that its value will be preserved in order to meet future needs. Consistent with the spending rule, the amount of investment earnings made available for spending is shown as operating revenue and the balance as non-operating activities.

The University's spending policy is reviewed regularly by the Trustees in light of the actual investment performance of the endowment and inflation expectations, and adjustments are made as required. The current, standard policy calls for the spending distribution to grow at a rate of 5% annually as long as the resulting spending rate, expressed as a percentage of the endowment market value, remains within a band between 4% and 5.75%. If the standard rule results in a spending rate that falls outside of the recommended band, the rule may be modified for a given year. The spending distribution was modified downward in fiscal years 2010 and 2011 as a result of a lower endowment market value, and was returned to the standard 5% increase effective with fiscal year 2012.

The principal items affecting expenditures of the University are as follows:

Academic Departments and Programs reflect instructional and research costs of the faculty during the academic year, plus all other direct costs of operating academic departments and programs.

Student Services include the costs of those offices dealing directly with students, such as the various Deans' Offices, University Health Services, and the Athletics Department.

Library costs reflect the acquisition of books and other library materials in addition to the direct costs of operating the Library.

General Administration and General Institutional Support reflect the expenditures of the departmental "business offices" and other administrative offices that serve the entire University.

Operation and Maintenance of Plant, which reflects the cost of maintaining the University's buildings and grounds, excluding auxiliary enterprises, is allocated among functional expense categories. The University expenses operating maintenance as incurred, and has followed a policy of not deferring maintenance costs in order to avoid even larger capital rehabilitation expenditures in the future.

Investments

Below are the market values of all of the University's investments at the end of the past five fiscal years:

INVESTMENTS
(in thousands of dollars)

Year Ended June 30	Market Value
2009	$13,306,700
2010	14,659,000
2011	17,201,900
2012	17,291,900
2013	18,655,700

In order to oversee the management of the endowment and related investments, the University established the Princeton University Investment Company in January 1987. PRINCO administers the procedures for selection and oversight of external investment managers and advisors who will continue to make daily decisions about individual securities and other particular investments.

Self-Liquidity

The University provides its own liquidity for its existing $300 million commercial paper program from its investment resources. At June 30, 2013, there was available more than $1,231.8 million in same-day and next-day funds, consisting primarily of United States Treasury securities, Treasury repos, and cash. At June 30, 2013, $50.7 million of tax-exempt commercial paper and $67.0 million of taxable commercial paper was outstanding. The composition of the liquid funds varies depending on investment strategies. The amounts at June 30, 2013 are primarily intended for working capital and self-liquidity purposes. The University expects to maintain self-liquidity investment resources in excess of any commercial paper outstanding.

Third Party Debt

As of June 30, 2013, the University had outstanding indebtedness of $3.036 billion (including unamortized premium/discount), in the form of taxable debt, loans from the New Jersey Educational Facilities Authority ("NJEFA" or "Authority"), advances from Bank of America to fund a parental loan program, notes and commercial paper.

INDEBTEDNESS OF THE UNIVERSITY

	June 30, 2013	June 30, 2012
	(in thousands of dollars)	
NJEFA Bonds – Tax-Exempt Revenue Bonds June 26, 2003, Series E, through June 15, 2011, Series B	$1,702,567	$1,814,311
Taxable Bonds, Series 2009A	997,144	997,035
Taxable Notes	170,000	
NJEFA Higher Education Capital Improvement Fund, Series 2000 A	1,087	1,192
NJEFA Dormitory Safety Trust Fund Bonds, Series 2001A	2,497	3,329
Parental Loans –Bank of America	43,328	45,743
Commercial Paper		
Taxable	67,000	
Tax Exempt	50,700	20,400
Notes	1,244	1,414
Total Third Party Debt	$3,035,567	$2,883,424

The debt of the University described in the table above is unsecured general obligation debt of the University. Although the University has issued debt designated as "Senior Unsecured Taxable Notes," no debt of the University is senior in right of payment to any other debt of the University.

The debt service on the NJEFA revenue bond issues in the above table is payable by the Authority from loan payments to be received from the University.

The 2003 Series E Bonds were issued to refund all or a portion of the outstanding Commercial Paper Notes Series 1997A, Series 1999A, Series 1999B, Series 2001A, Series 2002A, and Series 2002B. The 2003 Series D Bonds were issued to partially refund the 1994 Series A Bonds, the 1995 Series C Bonds, the 1996 Series C Bonds, the 1997 Series E Bonds, the 1998 Series F Bonds, the 1999 Series B Bonds, the 2000 Series E Bonds and the 2000 Series H Bonds. The 2004 Series D Bonds were issued to provide funds for the construction, renovation and repair of various University facilities, the purchase of capital equipment, and to refund all or a portion of the Commercial Paper Notes Series 2002B and Series 2004A. The

2005 Series A Bonds were issued to partially refund the 1995 Series C Bonds, the 1998 Series E Bonds, the 1998 Series F Bonds, the 1999 Series A Bonds, the 1999 Series B Bonds, the 2000 Series E Bonds, the 2000 Series H Bonds, the 2003 Series E Bonds and the 2004 Series A Bonds. The 2005 Series B Bonds and the 2006 Series D Bonds were issued to provide funds for the construction, renovation and repair of various University facilities, and the purchase of capital equipment. The 2006 Series E Bonds were issued to partially refund the 1999 Series A Bonds, the 2000 Series H Bonds, the 2003 Series E Bonds, the 2004 Series D Bonds, and the 2005 Series B Bonds. The 2007 Series E Bonds were issued to provide funds for the construction, renovation and repair of various University facilities, the purchase of capital equipment, and to refund all or a portion of the Commercial Paper Notes Series 2002B, Series 2004A, and Series 2005A. The 2007 Series F Bonds were issued to partially refund the 1999 Series A Bonds, the 2003 Series E Bonds, the 2004 Series D Bonds, the 2005 Series A Bonds, and the 2005 Series B Bonds. The 2008 Series J Bonds, the 2010 Series B Bonds, and the 2011 Series B were issued to provide funds for the construction, renovation and repair of various University facilities, and the purchase of capital equipment. The 2008 Series K Bonds were issued to refund the 2001 Series B, the 2002 Series B and the 2003 Series F variable rate bonds. The Series 2009A Taxable Bonds were issued to provide funds for working capital and other corporate purposes. See "Short-Term Borrowing" herein.

In August 2012, the University privately placed Senior Unsecured Taxable Notes in the amount of $170 million for student housing and other taxable needs. The notes were structured as a bullet maturity due July 1, 2042.

Subsequent to June 30, 2013, the University privately placed Senior Unsecured Taxable Notes in the amount of $75 million for capital purposes and other taxable needs. The notes were structured as a bullet maturity due July 1, 2044.

Effective in September 1998, the University established a financing program with Bank of America (Fleet Bank) for its parental loan program. As of June 30, 2013, approximately $102.1 million has been advanced, of which $43.3 million is outstanding. The advances have and will have maturities of up to 14 years and can be at a fixed rate agreed upon with the bank or at a variable rate tied to the LIBOR rate (with semiannual adjustments).

Additionally, as of November 30, 2013 the University has available bank lines of credit totaling $250 million under which the University may borrow on an unsecured basis at agreed upon rates. As of June 30, 2013, approximately $20.8 million was outstanding in the form of letters of credit.

Long-term debt service for each of the past five fiscal years has been (in thousands):

2009	$ 127,018
2010	176,614
2011	183,034
2012	197,964
2013	206,803

The following is the long-term projected debt service for fiscal years 2014 through 2018 for the debt outstanding as of June 30, 2013, including the 2013 Taxable Notes issued in December 2013 subsequent to fiscal year end (in thousands):

Year Ended June 30	Principal	Interest	Total
2014	$ 63,590	$ 139,107	$ 202,698
2015	77,744	137,637	215,381
2016	72,539	134,429	206,968
2017	74,613	130,936	205,549
2018	77,729	127,234	204,963

Short-Term Borrowing

In late 1997, the University initiated a program, previously approved by the Trustees, of short-term borrowing to finance the construction costs of major capital projects. A commercial paper program through the NJEFA has allowed both taxable and tax-exempt debt to be sold to institutional and other investors, although the University has issued primarily tax-exempt commercial paper through this program. In 2013, the University initiated a separate taxable commercial paper program, previously approved by the Trustees for the capital plan and other corporate purposes. The programs have been authorized to a combined maximum limit of $300 million. As of June 30, 2013 the outstanding balance of the University's tax-exempt commercial paper program was $50.7 million out of an authorized limit of $120 million. As of June 30, 2013 the outstanding balance of the University's taxable commercial paper was $60.7 million out of an authorized limit of $180 million. As of November 30, 2013 the outstanding balances of the University's commercial paper programs were $95.7 million and $99.0 million for the tax-exempt and taxable programs, respectively.

Capital Plan

The University initiated a Ten-Year Capital Plan ("the Plan") in September 2007 to serve as an overarching framework for its capital activity from FY08 through FY17. The Plan integrates all capital activity undertaken by the University during this period including the construction of new facilities and the renovation of existing buildings. Also included under the Capital Plan umbrella are annual commitments to major maintenance and other renewal programs – for life safety, security, and accessibility initiatives, laboratories, classrooms, equipment, furnishings and landscaping - as well as the University's real estate activity. The Plan incorporates direct funding from multiple sources including annual contributions from the operating budget, donor gifts, strategic reserves, and other revenue allocated to capital purposes. In addition, the University plans to issue long-term debt to finance a portion of its capital program – which focuses on long-term assets. The overall plan is updated regularly and is reviewed in detail with Trustees on an annual basis and each individual project within the plan undergoes a separate review and approval process.

The Plan calls for approximately $1,585 million of projected new construction over ten years including $1,125 million for the following major academic initiatives: a new Chemistry Building and related enabling work; an “arts district” for the Creative and Performing Arts, including associated infrastructure improvements; a Neuroscience and Psychology building; and a Center for Energy and the Environment in the Engineering School. Investments in student and staff housing, a high performance computing research center, an off-campus administrative building, athletic fields and complexes, and other improvements are expected to result in additional expenditures of approximately $460 million over the ten-year period.

The Plan also incorporates a significant investment in the maintenance of the University’s plant through its renovation, major maintenance and annual renewal program components, with these activities totaling approximately $1,240 million over the ten-year period. Included in the $770 million renovation component are projects totaling approximately $565 million for academic purposes, including a renovation of the University’s main library facility and the repurposing of the old Chemistry building for other academic uses; $115 million for campus life, housing and athletics projects; and $90 million for administrative and other campus improvements. The Plan targets an annual level of investment in plant, primarily from the University’s operating budget, of 2% of the estimated replacement value of the physical plant, both for the period of the Plan and thereafter.

Employees

As of June 2013, 6,105 people were employed by the University (other than students), consisting of 1,137 faculty members, 3,172 other professionals and 1,796 other employees. Approximately 851 maintenance, service and support staff are represented by six unions. In recent years, relationships with both organized and unorganized groups have been good with no significant labor disputes in about thirty years.

Retirement Plans

Effective January 1, 1994, faculty and staff who meet specific employment requirements participate in the Princeton University Retirement Plan. This is a non-contributory, tax qualified defined contribution plan funded through the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) and Vanguard. The University also maintains a voluntary contributory Tax Deferred Annuity Plan for all faculty and staff.

Prior to January 1, 1994, faculty and monthly paid staff who met specific requirements participated in a non-contributory defined contribution plan and biweekly staff who met certain requirements participated in a non-contributory, tax-qualified defined benefit plan. The latter was terminated in 2000.

Litigation

The University is subject to certain legal claims that have arisen in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the University's financial position, statement of activities or cash flows.

Insurance

The University currently has a primary general liability policy in the amount of $2 million, with a deductible of $500,000 per occurrence. The University has an automobile liability policy in the amount of $2 million, with a deductible of $25,000 per occurrence. Above the primary layer for general liability, the University has various umbrella and excess layers of coverage, which generally follow the form of the commercial primary coverage, with total umbrella and excess limits of $148 million. The University also carries property insurance on the insurable replacement value of all of its buildings and contents with a limit of liability of $1.3 billion for any one occurrence at replacement cost with a deductible amount of $250,000 per occurrence. The University separately insures its fine arts and rare books in the amount of $750 million with a deductible of $1,000. The University has Trustees and Officers liability coverage in the amount of $35 million with a $300,000 deductible for all claims.

APPENDIX B-1

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012, AND INDEPENDENT AUDITORS' REPORT

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Princeton University

Consolidated Financial Statements

June 30, 2013 and 2012

pwc

Independent Auditor's Report

To the Trustees of Princeton University:

We have audited the accompanying consolidated financial statements of Princeton University, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012 and the related consolidated statements of activities and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Princeton University at June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 26, 2013

PricewaterhouseCoopers LLP, PricewaterhouseCoopers Center, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (813) 286 6000, www.pwc.com/us

Consolidated Statements of Financial Position

June 30, 2013 and 2012

(dollars in thousands)	2013	2012
Assets		
Cash	$ 3,449	$ 5,277
Accounts receivable	82,480	80,032
Receivables associated with investments	4,078	683
Educational and mortgage loans receivable	366,305	384,372
Contributions receivable	261,330	344,120
Inventories and deferred charges	22,563	21,554
Managed investments at market value	17,971,823	16,679,115
Funds held in trust by others	130,434	112,109
Other investments	683,875	612,778
Property, net of accumulated depreciation	3,227,723	2,991,739
Total assets	**$ 22,754,060**	**$ 21,231,779**
Liabilities		
Accounts payable	$ 121,862	$ 100,859
Liabilities associated with investments	182,564	160,891
Deposits, advance receipts, and accrued liabilities	113,384	123,457
Deposits held in custody for others	125,004	119,152
Deferred revenues	40,244	40,554
Liability under planned giving agreements	90,700	80,793
Federal loan programs	6,609	6,533
Indebtedness to third parties	3,035,567	2,883,424
Accrued postretirement benefits	294,810	311,951
Total liabilities	**$ 4,010,744**	**$ 3,827,614**
Net assets		
Unrestricted	$ 7,260,637	$ 6,694,469
Temporarily restricted	9,716,400	8,986,573
Permanently restricted	1,766,279	1,723,123
Total net assets	**$ 18,743,316**	**$ 17,404,165**
Total liabilities and net assets	**$ 22,754,060**	**$ 21,231,779**

Consolidated Statements of Activities

Year ended June 30, 2013

(dollars in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Operating revenues				
Tuition and fees	$ 301,535	-	-	$ 301,535
Less scholarships and fellowships	(195,892)	-	-	(195,892)
Net tuition and fees	105,643	-	-	105,643
Government grants and contracts	249,132	-	-	249,132
Private gifts, grants, and contracts	87,889	-	-	87,889
Auxiliary sales and services	99,099	-	-	99,099
Other sources	153,099	-	-	153,099
Investment earnings distributed	305,781	$ 478,562	-	784,343
Operating revenues	1,000,643	478,562	-	1,479,205
Net assets released from restrictions	499,439	(499,439)	-	-
Total operating revenues	**1,500,082**	**(20,877)**	**-**	**1,479,205**
Operating expenses				
Educational and general:				
Academic departments and programs	602,072	-	-	602,072
Academic support	80,941	-	-	80,941
Student services	109,427	-	-	109,427
Library	72,473	-	-	72,473
General administration and institutional support	138,981	-	-	138,981
Other student aid	36,637	-	-	36,637
Plasma Physics Laboratory	75,316	-	-	75,316
Total educational and general	1,115,847	-	-	1,115,847
Auxiliary activities	118,135	-	-	118,135
Interest on indebtedness	124,571	-	-	124,571
Total operating expenses	**1,358,553**	**-**	**-**	**1,358,553**
Results of operations	**141,529**	**(20,877)**	**-**	**120,652**
Nonoperating activities				
Adjustments to planned giving agreements	-	6,893	$ 4,963	11,856
Increase in value of assets held in trust by others	-	-	5,802	5,802
Private gifts, noncurrent	-	60,714	32,391	93,105
Net realized and unrealized appreciation on investments	730,420	1,161,659	-	1,892,079
Distribution of investment earnings	(305,781)	(478,562)	-	(784,343)
Increase from nonoperating activities	424,639	750,704	43,156	1,218,499
Increase in net assets	566,168	729,827	43,156	1,339,151
Net assets at the beginning of the year	**6,694,469**	**8,986,573**	**1,723,123**	**17,404,165**
Net assets at the end of the year	**$ 7,260,637**	**$ 9,716,400**	**$ 1,766,279**	**$ 18,743,316**

See notes to consolidated financial statements.

Consolidated Statements of Activities

Year ended June 30, 2012

(dollars in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Operating revenues				
Tuition and fees	$ 282,763	-	-	$ 282,763
Less scholarships and fellowships	(184,810)	-	-	(184,810)
Net tuition and fees	97,953	-	-	97,953
Government grants and contracts	248,968	-	-	248,968
Private gifts, grants, and contracts	78,970	-	-	78,970
Auxiliary sales and services	98,003	-	-	98,003
Other sources	150,957	-	-	150,957
Investment earnings distributed	286,472	$ 439,892	-	726,364
Operating revenues	961,323	439,892	-	1,401,215
Net assets released from restrictions	455,122	(455,122)	-	-
Total operating revenues	**1,416,445**	**(15,230)**	**-**	**1,401,215**
Operating expenses				
Educational and general:				
Academic departments and programs	592,772	-	-	592,772
Academic support	79,168	-	-	79,168
Student services	101,862	-	-	101,862
Library	73,878	-	-	73,878
General administration and institutional support	135,828	-	-	135,828
Other student aid	35,411	-	-	35,411
Plasma Physics Laboratory	82,170	-	-	82,170
Total educational and general	1,101,089	-	-	1,101,089
Auxiliary activities	104,339	-	-	104,339
Interest on indebtedness	112,026	-	-	112,026
Total operating expenses	**1,317,454**	**-**	**-**	**1,317,454**
Results of operations	**98,991**	**(15,230)**	**-**	**83,761**
Nonoperating activities				
Adjustments to planned giving agreements	-	7,695	$ 1,755	9,450
Decrease in value of assets held in trust by others	-	-	(7,771)	(7,771)
Private gifts, noncurrent	-	165,054	89,778	254,832
Net realized and unrealized appreciation on investments	183,830	276,254	16,893	476,977
Distribution of investment earnings	(286,472)	(439,892)	-	(726,364)
Reclassifications and transfers	-	45,109	(45,109)	-
Increase from nonoperating activities	(102,642)	54,220	55,546	7,124
Increase in net assets	(3,651)	38,990	55,546	90,885
Net assets at the beginning of the year	**6,698,120**	**8,947,583**	**1,667,577**	**17,313,280**
Net assets at the end of the year	**$ 6,694,469**	**$ 8,986,573**	**$ 1,723,123**	**$ 17,404,165**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(dollars in thousands)	2013	2012
Cash flows from operating activities		
Change in net assets	$ 1,339,151	$ 90,885
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	116,269	104,164
Amortization of bond issuance costs and premiums	(6,377)	(4,558)
Property gifts-in-kind	(2,206)	(1,130)
Adjustments to planned giving agreements	(11,856)	(9,450)
Net realized and unrealized appreciation on investments	(1,726,579)	(317,705)
Gain on disposal of fixed assets	(2,221)	(4,628)
(Increase) decrease in value of assets held in trust by others	(5,802)	7,771
Contributions received for long-term investment	(30,185)	(88,648)
Changes in operating assets and liabilities:		
Receivables	98,409	(69,023)
Inventory and deferred charges	(1,009)	(651)
Accounts payable	21,003	20,346
Deposits, advanced receipts, and accrued liabilities	(10,073)	(4,365)
Deposits held in custody for others	5,852	12,037
Deferred revenue	(310)	(281)
Accrued postretirement benefits	(17,141)	21,995
Net cash used by operating activities	**(233,075)**	**(243,241)**
Cash flows from investing activities		
Purchases of property, plant, and equipment	(353,118)	(305,504)
Proceeds from disposal of property, plant, and equipment	3,086	3,304
Purchases of investments	(4,640,899)	(5,675,034)
Proceeds from maturities/sales of investments	5,039,738	5,960,927
Net cash provided (used) by investing activities	**48,807**	**(16,307)**
Cash flows from financing activities		
Issuance of indebtedness to third parties, net of drawdowns	221,937	216,056
Payment of debt principal	(65,517)	(59,435)
Contributions received for long-term investment	19,868	89,778
Transactions on planned giving agreements	6,076	7,079
Net additions under federal loan programs	76	64
Net cash provided by financing activities	**182,440**	**253,542**
Net decrease in cash	**(1,828)**	**(6,006)**
Cash at beginning of year	**5,277**	**11,283**
Cash at end of year	**$ 3,449**	**$ 5,277**
Supplemental disclosures		
Interest paid	$ 141,380	$ 138,435

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended June 30, 2013 and 2012

1. NATURE OF OPERATIONS

Princeton University (the "University") is a privately endowed, nonsectarian institution of higher learning. When originally chartered in 1746 as the College of New Jersey, it became the fourth college in British North America. It was renamed Princeton University in 1896. First located in Elizabeth, and briefly in Newark, the school moved to Princeton in 1756.

The student body numbers approximately 5,260 undergraduates and 2,650 graduate students in more than 90 departments and programs. The University offers instruction in the liberal arts and sciences and in professional programs of the School of Architecture, the School of Engineering and Applied Science, and the Woodrow Wilson School of Public and International Affairs. The faculty numbers approximately 1,180, including visitors and part-time appointments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Princeton University (now legally known as "The Trustees of Princeton University") are prepared on the accrual basis and include the accounts of its wholly owned subsidiaries, foundation, and investments controlled by the University. Financial information conforms to the statements of accounting principles of the Financial Accounting Standards Board (FASB) and to the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Entities*. Relevant pronouncements include FASB Accounting Standards Codification (ASC) 958-310, *Not-for-Profit Entities—Receivables*, and ASC 958-205, *Not-for-Profit Entities—Presentation of Financial Statements*.

Unconditional promises to give are recognized as revenues in the year made, not in the year in which the cash is received. The amounts are discounted based on timing of expected collections. Amounts received from donors to planned giving programs are shown in part as a liability for the present value of annuity payments to the donor; the balance is shown as a gift of either temporarily or permanently restricted net assets.

External financial statements of not-for-profit organizations require the preparation of a statement of financial position, a statement of activities, and a statement of cash flows. The classification of the organization's net assets and its revenues and expenses into three categories according to the existence or absence of donor-imposed restrictions—permanently restricted, temporarily restricted, or unrestricted—is also required. Changes, including reclassification and transfers, in each category are reflected in the statement of activities, certain of which are further categorized as nonoperating. Such nonoperating activities primarily reflect transactions of a long-term investment or capital nature, including contributions receivable in future periods, contributions subject to donor-imposed restrictions, and gains and losses on investments in excess of the University's spending rule. Other significant accounting policies are described elsewhere in these notes.

The preparation of the University's financial statements in conformity with generally accepted accounting principles (GAAP) 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 dates of the consolidated statements of financial position, and the reported amounts of revenue and expense included in the consolidated statements of activities. Actual results could differ from such estimates.

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

3. INVESTMENTS

Managed Investments

All managed investments are reported at fair value. The fair value of marketable equity, debt, and certain derivative securities (which includes both domestic and foreign issues) is generally based upon a combination of published current market prices and exchange rates. The fair value of restricted securities and other investments for which published market prices are not available is based on estimated values using discounted cash flow analysis and other industry standard methodologies. Where applicable, independent appraisers and engineers assist in the valuation. The fair value of limited partnerships and similar investment vehicles is generally estimated by external investment managers, including general partners or valuation committees. These valuations necessarily involve assumptions and methods that are reviewed, evaluated, and adjusted, if necessary, by the University. Changes in assumptions could have a significant effect on the fair values of these investments. Actual results could differ from these estimates and could have a material impact on the financial statements. These investments are generally less liquid than other investments, and the values reported may differ from the values that would have been reported had a ready market for these securities existed. Securities transactions are reported on a trade-date basis.

A summary of investments by asset category at fair value, presented on a "look-through basis," at June 30, 2013 and 2012, is as follows:

(dollars in millions)	2013	2012
Managed investments:		
Domestic equity	$ 1,345.7	$ 970.2
International equity	2,342.2	1,566.2
Independent return	3,963.7	3,357.9
Private equity	5,842.6	6,019.2
Real assets	3,695.8	3,737.7
Fixed income	34.6	45.0
Cash and other	751.3	983.3
Net managed investments	**17,975.9**	**16,679.5**
Receivables associated with investments—net	(4.1)	(0.4)
Gross managed investments	**$ 17,971.8**	**$ 16,679.1**

The Princeton University Investment Company (PRINCO) manages investments for the University and a foundation that the University controls, the Stanley J. Seeger Hellenic Fund. The investment balances managed by PRINCO for these entities as of June 30, included in the University's consolidated financial statements, are as follows:

(dollars in millions)	2013	2012
Princeton University	$ 17,815.7	$ 16,527.2
Stanley J. Seeger Hellenic Fund	35.2	33.1
Deposits held in custody for others	125.0	119.2
Net managed investments	**$ 17,975.9**	**$ 16,679.5**

The deposits held in custody for others as of June 30, 2012, in the table above, have been revised to properly reflect certain investments owned by the University. The effect was to decrease deposits held in custody for others by $57.5 million with a corresponding increase to unrestricted net assets, and associated adjustment to net realized and unrealized appreciation on investments in the amount of $(3.2) million for the year ended June 30, 2012. These adjustments are immaterial to the prior period financial statements.

The composition of net investment return from managed and other investments for the years ended June 30, was as follows:

(dollars in millions)	2013	2012
Net realized and unrealized gains	$ 1,726,579	$ 317,705
Interest, dividends, and other income	165,500	159,272
Total	$ 1,892,079	$ 476,977

Princeton University investments together with the Stanley J. Seeger Hellenic Fund and deposits held in custody for others are invested in a single unitized pool. The market value of each unit was $8,829.74 and $8,299.09 at June 30, 2013 and 2012, respectively. The average value of a unit during the years ending June 30, 2013 and 2012, was $8,544.26 and $8,155.64, respectively.

The average invested market balance in the unitized pool during the years ending June 30, 2013 and 2012, was $ 17.105 billion and $16.182 billion, respectively.

The University follows a spending rule for its unitized investments, including funds functioning as endowment, that provides for regular increases in spending while preserving the long-term purchasing power of the endowment. Earnings available for spending are shown in operating revenue, and the balance is shown as nonoperating revenue. Amounts distributed per unit under that rule were $388.01 and $369.53 for fiscal years 2013 and 2012, respectively.

The University invests in various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

As part of its investment strategy, the University enters into transactions utilizing a variety of financial instruments and strategies, including futures, swaps, options, short sales, and forward foreign currency contracts. These financial instruments and strategies allow the University to fine-tune the asset allocation of the investment portfolio. In all cases except forward foreign currency exchange and swap contracts, these instruments are traded through securities and commodities exchanges. The forward foreign currency and swap contracts are executed with creditworthy banks and brokerage firms. At June 30, 2013, the aggregate notional values of futures contracts were $307.4 million, with an aggregate unrealized loss of $2.9 million. At June 30, 2013, the aggregate notional values of swaps was $97.0 million, with an unrealized gain of $5.3 million. At June 30, 2012, the aggregate notional values of futures contracts were $72.0 million with an aggregate unrealized loss of $3.4 million. No other contracts were held during the year ended June 30, 2013. These instruments, when recognized, are recorded at fair value and are included as either an asset or a liability depending on the rights or obligations of the contract. Realized gains or losses are recorded at the time the contract is closed.

Funds Held in Trust by Others

The University is the income beneficiary of various trusts that are held and controlled by independent trustees. In addition, the University is the income beneficiary of entities that qualify as supporting organizations under Section 509(a)(3) of the U.S. Internal Revenue Code. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence. Funds held in trust by others, stated at fair value, amounted to $130.4 million in 2013 and $112.1 million in 2012.

Other Investments

Other investments include working capital (consisting primarily of cash and cash equivalents and U.S. Treasury securities), a small number of funds that must be separately invested due to donor or legal restrictions, planned giving investments, proceeds from debt, and local real estate holdings expected to be liquidated strategically over several years. A summary of other investments at fair value at June 30, 2013 and 2012, is as follows:

(dollars in millions)	2013	2012
Working capital	$ 350.1	$ 277.7
Planned giving investments	194.5	191.7
Proceeds from debt	95.7	93.6
Strategic real estate investments	41.5	48.8
Other	2.1	1.0
Total	$ 683.9	$ 612.8

4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). The University applies fair value measurements to certain assets and liabilities, including the University's managed investments, other investments, and funds held in trust by others, in accordance with the requirements described above.

The University maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flow and other income valuation approaches.

The University utilizes the following fair value hierarchy, which prioritizes, into three broad levels, the inputs to valuation techniques used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the University has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

Level 2: Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 consist primarily of investments in certain entities that calculate net asset value per share (or its equivalent) and can be redeemed in the near term.

Level 3: Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist primarily of limited partnership interests and other similar investment vehicles.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs that are considered to be unobservable are used in their valuations. Where the University has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date, such investments have been categorized under Level 2 fair value measurements. Certain of these investments may be subject to modest holdback provisions to cover audit and other potential expenses or adjustments in the event of a complete withdrawal.

The FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, effective for fiscal years beginning after December 15, 2011. The guidance requires enhanced disclosures around Level 3 investments in the fair value hierarchy, including a description of the valuation processes used and disclosure of significant unobservable inputs used in investment valuations. The University adopted ASU 2011-04, effective for the year ended June 30, 2013. The University has various processes and controls in place to ensure investment fair value is reasonable and performs due diligence procedures on its investments including an assessment of applicable accounting policies, a review of the valuation procedures employed, and consideration of redemption features and price transparency. The University holds direct real estate investments categorized as Level 3. Valuation for material directly held real estate investments is determined from periodic valuations prepared by independent appraisers or broker opinions.

The following tables present the University's assets that are measured at fair value for each hierarchy level, at June 30, 2013 and 2012. The managed investment categories are presented on a "manager-mandate" basis, that is, all of the assets and market value of the underlying funds and accounts are included in the asset class which is the primary focus of the fund or account. (Many funds and accounts have contractual flexibility to invest across more than one asset class.)

(dollars in millions) 2013	Total	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair value				
Managed investments (gross):				
Domestic equity	$ 1,539.8	$ 110.7	$ 240.7	$ 1,188.4
International equity	2,296.1	519.1	479.0	1,298.0
Independent return	4,583.9	-	493.1	4,090.8
Private equity	5,592.8	-	-	5,592.8
Real assets	3,281.3	50.4	102.3	3,128.6
Fixed income	7.8	-	-	7.8
Cash and other	670.1	772.3	(102.7)	0.5
Funds held in trust by others	130.4	-	-	130.4
Other investments	683.9	445.9	-	238.0
Total	$ 18,786.1	$ 1,898.4	$ 1,212.4	$ 15,675.3
2012				
Assets at fair value				
Managed investments (gross):				
Domestic equity	$ 1,209.5	$ 20.6	$ 150.1	$ 1,038.8
International equity	1,501.4	228.9	281.1	991.4
Independent return	3,972.5	-	537.6	3,434.9
Private equity	5,768.1	-	-	5,768.1
Real assets	3,337.8	40.4	-	3,297.4
Fixed income	12.1	-	-	12.1
Cash and other	877.7	876.9	-	0.8
Funds held in trust by others	112.1	-	-	112.1
Other investments	612.8	371.7	-	241.1
Total	$ 17,404.0	$ 1,538.5	$ 968.8	$ 14,896.7

Assets and liabilities of a majority-owned investment fund have been consolidated for reporting purposes at June 30, 2013 and 2012. Managed investments, specifically the independent return asset class, includes consolidated investment fund assets of $893.0 million and $782.1 million at June 30, 2013 and 2012, respectively, and liabilities associated with investments includes consolidated investment fund liabilities of $182.6 million and $160.6 million at June 30, 2013 and 2012, respectively.

The following tables present the net change in the assets measured at fair value on a recurring basis and included in the Level 3 fair value category for the years ended June 30, 2013 and 2012:

Notes to Consolidated Financial Statements

(Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

(dollars in millions)	June 30, 2012	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	June 30, 2013
Assets at fair value							
Managed investments (gross):							
Domestic equity	$ 1,038.8	$ 221.3	$ 40.6	$ (112.3)	$ -	$ -	$ 1,188.4
International equity	991.4	146.3	357.4	(163.9)	-	(33.2)	1,298.0
Independent return	3,434.9	585.8	264.6	(194.5)	-	-	4,090.8
Private equity	5,768.1	528.7	727.9	(1,431.9)	-	-	5,592.8
Real assets	3,297.4	230.5	406.7	(806.0)	-	-	3,128.6
Fixed income	12.1	0.3	-	(4.6)	-	-	7.8
Cash and other	0.8	(0.3)	-	-	-	-	0.5
Funds held in trust by others	112.1	5.8	-	-	12.5	-	130.4
Other Investments	241.1	12.3	3.7	(22.1)	15.7	(12.7)	238.0
Total Level 3 investments	$ 14,896.7	$ 1,730.7	$ 1,800.9	$ (2,735.3)	$ 28.2	$ (45.9)	$ 15,675.3

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

(dollars in millions)	June 30, 2011	Total gains or losses included in changes in net assets	Purchases	Sales and settlements	Transfers into Level 3	Transfers out of Level 3	June 30, 2012
Assets at fair value							
Managed investments (gross):							
Domestic equity	$ 994.5	$ 150.9	$ 8.1	$ (114.7)	$ -	$ -	$ 1,038.8
International equity	990.1	(4.0)	90.6	(85.3)	-	-	991.4
Independent return	3,380.1	125.7	123.6	(154.2)	41.6	(81.9)	3,434.9
Private equity	6,118.1	125.4	1,066.1	(1,541.5)	-	-	5,768.1
Real assets	3,136.8	62.4	553.6	(455.4)	-	-	3,297.4
Fixed income	-	0.6	47.1	(35.6)	-	-	12.1
Cash and other	0.8	-	-	-	-	-	0.8
Funds held in trust by others	119.9	(7.8)	-	-	-	-	112.1
Other Investments	267.1	(25.4)	16.2	(16.8)	-	-	241.1
Total Level 3 investments	$ 15,007.4	$ 427.8	$ 1,905.3	$ (2,403.5)	$ 41.6	$ (81.9)	$ 14,896.7

The University assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies, liquidity, and/or redemption terms. In the year ended June 30, 2013, one managed investment tranferred from Level 3 to Level 2. In the year ended June 30, 2012, one investment transferred from Level 2 to Level 3 and one investment transferred from Level 3 to Level 2. The University's policy is to recognize transfers at the beginning of the reporting period.

Realized losses of $411.4 million and $3,119.6 million related to Level 3 investments and unrealized gains of $2,142.1 million and $3,547.4 million related to Level 3 investments are included in net realized and unrealized appreciation on investments in the consolidated statements of activities for the years ended June 30, 2013 and 2012, respectively. Realized losses and unrealized gains for the year ended June 30, 2012 have been revised for comparability, by increases of $1,508.3 million and $1,508.3 million, respectively, to reflect a change in cost basis in the current year for certain Level 3 investments.

The following tables and disclosures set forth the significant terms of the agreements with investment managers or funds by major category at June 30, 2013 and 2012. The information is presented on a "manager-mandate" basis.

(dollars in millions)	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
2013				
Managed investments (gross)				
Domestic equity (a)	$ 1,539.8	$ 72.5	daily–annually	4–90 days
International equity–developed (b)	822.8	-	daily–annually	7–90 days
International equity–emerging (c)	1,473.3	64.5	daily–annually	7–90 days
Independent return (d)	4,583.9	201.1	monthly–annually	30–90 days
Fixed income (e)	7.8	-	daily	same day
Cash and other (e)	670.1	-	daily	same day
Marketable asset classes	$ 9,097.7	$ 338.1		
Private equity (f)	5,592.8	1,931.8		
Real assets (g)	3,281.3	974.4		
Nonmarketable asset classes	$ 8,874.1	$ 2,906.2		
Total gross investments	$ 17,971.8	$ 3,244.3		
2012				
Managed investments (gross)				
Domestic equity (a)	$ 1,209.5	$ 0.3	daily–annually	4–90 days
International equity–developed (b)	441.0	-	daily–annually	7–90 days
International equity–emerging (c)	1,060.4	107.4	daily–annually	7–90 days
Independent return (d)	3,972.5	203.7	monthly–annually	30–90 days
Fixed income (e)	12.1	-	daily	same day
Cash and other (e)	877.7	-	daily	same day
Marketable asset classes	$ 7,573.2	$ 311.4		
Private equity (f)	5,768.1	2,199.5		
Real assets (g)	3,337.8	1,008.4		
Nonmarketable asset classes	$ 9,105.9	$ 3,207.9		
Total gross investments	$ 16,679.1	$ 3,519.3		

(a) Domestic Equity: This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges or in domestic over-the-counter markets. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds, or, in the case of custodied accounts, the fair value of the securities held. Investments representing approximately 5 percent of the market value of this asset class are invested in nonredeemable assets.

(b) International Equity—Developed: This asset class includes funds primarily invested in public equity and debt securities traded in countries with developed economies other than the United States. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds. Virtually none of the investments in this asset class are invested in nonredeemable assets.

(c) International Equity—Emerging: This asset class includes funds primarily invested in public equity and debt securities traded in countries with emerging economies. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds or in the case of custodied accounts, the fair value of the securitites held, at prevailing exchange rates. Investments representing approximately 13 percent of the market value of this asset class are invested in nonredeemable assets.

(d) Independent Return: This asset class includes funds invested in equity and debt securities and financial instruments such as options, swaps, futures, and other derivatives. Funds in this asset class may hold both long and short positions in any of these instruments and pursue a variety of investment strategies based upon the fund's investment mandate and the current opportunity set. In general terms, approximately 24 percent of market value is invested in funds principally focused on long/short equity investments, 26 percent is invested in event-driven/arbitrage strategies, and 50 percent is invested in funds that opportunistically engage in both strategies. Investments representing approximately 23 percent of the market value of this asset class are invested in nonredeemable assets.

(e) Fixed Income and Cash: On a combined basis, these asset classes include primarily U.S. government and U.S. government-guaranteed securities held in separate accounts at the custodial bank. Virtually all of the investments in these asset classes can be liquidated on a daily basis.

(f) Private Equity: This asset class includes funds invested primarily in buyouts or venture capital. The fair values of the investments in this asset class have generally been estimated using partners' capital statements issued by the funds, which reflect the University's ownership interest. Generally, investments in this asset class are not redeemable. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

(g) Real Assets: This asset class includes funds invested primarily in real estate, energy, and timber. The fair values of the investments in this asset class have been estimated using partners' capital statements issued by the funds, which reflect the University's ownership interest. Generally, investments in this asset class are not redeemable. However, a small portion, $89.0 million at June 30, 2013, and $137.2 million at June 30, 2012, was invested in redeemable funds. More broadly, distributions from investee funds are received as the underlying investments of the funds are liquidated.

The University is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. At June 30, 2013, the University had unfunded commitments of $3.2 billion. Such commitments are generally called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

Although the University sells interests in its investments from time to time on an opportunistic basis, as of June 30, 2013, there were no investments identified that were likely to be sold at amounts significantly different from carrying values.

Investments in the marketable asset classes are generally redeemable, made in entities that allow the University to request withdrawals in specified circumstances. However, approximately $1.4 billion of the marketable asset classes are invested in "nonredeemable assets," which are not eligible for redemption by the University. Nonredeemable assets are specific investments within a fund designated by the fund manager as ineligible for withdrawal. Due to the illiquid nature of nonredeemable assets, it is impossible for the University to predict when these assets will liquidate and the proceeds distributed to investors.

In addition to nonredeemable assets, the University may be limited in its ability to effect a withdrawal if a fund manager invokes a "gate" provision restricting redemptions from its fund. Gates are generally triggered when aggregate fund withdrawal requests exceed a contractually predetermined threshold. No withdrawal requests were impacted by a gate in the year ended June 30, 2013.

5. ENDOWMENT

The University's endowment consists of approximately 3,800 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the University to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

ASC 958-205-45-28, *Not-for-Profit Entities—Presentation of Financial Statements—Other Presentation Matters—Classification of Donor-Restricted Endowment Funds Subject to the Uniform Prudent Management of Institutional Funds Act,* provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was enacted in the state of New Jersey in June 2009.

Interpretation of relevant law—The University interprets the UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the University and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the University
(7) The investment policies of the University

Endowment net asset composition by type of fund as of June 30, 2013 and 2012, is:

2013 *(dollars in thousands)*	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (62)	$ 9,209,214	$ 1,632,818	$ 10,841,970
Board-designated endowment funds	$ 6,838,119	-	-	6,838,119
Total	**$ 6,838,057**	**$ 9,209,214**	**$ 1,632,818**	**$ 17,680,089**
2012 *(dollars in thousands)*				
Donor-restricted endowment funds	$ (2,254)	$ 8,573,503	$ 1,589,426	$ 10,160,676
Board-designated endowment funds	$ 6,256,078	-	-	6,256,078
Total	**$ 6,253,824**	**$ 8,573,503**	**$ 1,589,426**	**$ 16,416,754**

Unrestricted, temporarily and permanently restricted endowment net assets as of June 30, 2012 in the amounts of $45.8 million, $8.6 million and $0.3 million, respectively, have been reclassified from deposits held in custody for others for comparability to the current year presentation, as explained in Note 3.

Changes in endowment net assets for the years ended June 30, 2013 and 2012, are:

2013 *(dollars in thousands)*	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Endowment net assets, beginning of the year	$ 6,253,825	$ 8,573,503	$ 1,589,426	$ 16,416,754
Investment return:				
Net realized and unrealized appreciation	716,183	1,163,850	-	1,880,033
Reclassification for funds with deficiencies	2,192	(2,192)	-	-
Total investment return	**718,375**	**1,161,658**	-	1,880,033
Contributions	-	-	19,868	19,868
Appropriation of endowment assets for expenditure	(293,536)	(477,017)	-	(770,553)
Reclassifications, transfers, and board designations	159,393	(48,930)	23,524	133,987
Endowment net assets, end of the year	**$ 6,838,057**	**$ 9,209,214**	**$ 1,632,818**	**$ 17,680,089**

2012 *(dollars in thousands)*	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Endowment net assets, beginning of the year	$ 6,318,287	$ 8,673,493	$ 1,532,651	$ 16,524,431
Investment return:				
Net realized and unrealized appreciation	181,212	275,417	17,300	473,929
Reclassification for funds with deficiencies	(837)	837	-	-
Total investment return	**180,375**	**276,254**	**17,300**	**473,929**
Contributions	-	-	84,584	84,584
Appropriation of endowment assets for expenditure	(271,465)	(438,507)	-	(709,972)
Reclassifications, transfers, and board designations	26,628	62,263	(45,109)	43,782
Endowment net assets, end of the year	**$ 6,253,825**	**$ 8,573,503**	**$ 1,589,426**	**$ 16,416,754**

Funds with deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $0.1 million and $2.3 million at June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation of certain programs that was deemed prudent by the Board of Trustees.

In accordance with the terms of donor gift instruments, the University is permitted to reduce the balance of restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair market value of the original amount of the gift. Subsequent gains above that amount are recorded in temporarily restricted net assets.

Return objectives and risk parameters—The University has adopted investment and spending policies for endowment assets that attempt to support the University's current and future operating needs, while preserving intergenerational equity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified periods as well as University-designated funds. Under these policies, the endowment assets are invested in a manner that is intended to produce returns that exceed both the annual rate of spending and university inflation.

Strategies employed for achieving objectives—The vast majority of the endowment assets are actively managed by PRINCO, which is structured as a University office, but maintains its own Board of Directors, and operates under the final authority of the University's Board of Trustees (the "Trustees").

In pursuit of the investment return objectives, PRINCO maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

Spending policy and how the investment objectives relate to spending policy—Each year the Trustees decide upon an amount to be spent from the endowment for the following fiscal year. In their deliberations, the Trustees use a spending framework that is designed to enable sizable amounts to be spent in a reasonably stable fashion, while allowing for reinvestment sufficient to preserve purchasing power in perpetuity. The framework targets annual spending rates of between 4.0 percent and 5.75 percent.

The endowment must seek investment returns sufficient to meet spending policy targets as well as to maintain future purchasing power without deterioration of corpus resulting from university inflation.

6. EDUCATIONAL AND MORTGAGE LOANS

Educational loans include donor-restricted and federally sponsored educational loans that bear mandated interest rates and repayment terms, and are subject to significant restrictions on their transfer and disposition. These loans totaled $70.2 million and $67.5 million at June 30, 2013 and 2012, respectively. Determination of the fair value of educational loans receivable could not be made without incurring excessive costs.

Through a program to attract and retain excellent faculty and senior staff, the University provides home acquisition and financing assistance on residential properties in the area surrounding the University. Notes receivable from faculty and staff and co-ownership interests in the properties are included in mortgage loans and are collateralized by mortgages on those properties. These loans and interests totaled $297.0 million and $317.7 million at June 30, 2013 and 2012, respectively.

Allowance for Doubtful Loans

Management assesses the adequacy of the allowance for doubtful loans by performing evaluations of the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of borrowers, the economic environment, the level of delinquent loans, and the value of any collateral associated with the loans. In addition to general economic conditions and other factors described above, a detailed review of the aging of loans receivable is considered in management's assessment. The level of the allowance is adjusted according to the results of management's analysis.

Loans less than 120 days delinquent are deemed to have a minimal delay in payment and are generally not written off. Loans more than 120 days delinquent are subject to standard collection practices, including litigation. Only loans that are deemed uncollectible are written off, and this occurs only after several unsuccessful collection attempts, including placement at an external collection agency. Considering the other factors discussed herein, management considers the allowance for doubtful loans at June 30, 2013 and 2012, to be prudent and reasonable.

Educational and mortgage loans receivable at June 30, 2013 and 2012, are reported net of allowances for doubtful loans of $0.9 million and $0.8 million, respectively.

7. PROMISES TO GIVE

At June 30, 2013 and 2012, the University had received from donors unconditional promises to give contributions of amounts receivable in the following periods:

(dollars in thousands)	2013	2012
Less than one year	$ 121,527	$ 129,153
One to five years	131,386	203,987
More than five years	22,374	26,004
Total	**275,287**	**359,144**
Less unamortized discount and reserve	13,957	15,024
Net amount	**$ 261,330**	**$ 344,120**

The amounts promised have been recorded after discounting the future cash flows to the present value. Current-year promises are included in revenue as additions to temporarily or permanently restricted net assets, as determined by the donors, and are included in contributions receivable at fair value based on observable ASC 820 Level 2 inputs.

In addition, at June 30, 2013, the University had received from donors promises to give $2.5 million, conditioned upon the raising of matching gifts from other sources and other criteria. These amounts will be recognized as income in the periods in which the conditions have been fulfilled.

8. PROPERTY

Land additions are reported at estimated market value at the date of gift, or on a cost basis. Buildings and improvements are stated at cost. Expenditures for operation and maintenance of physical plant are expensed as incurred.

Items classified as property at June 30, 2013 and 2012, consisted of the following:

(dollars in thousands)	2013	2012
Land	$ 108,576	$ 102,346
Buildings and improvements	3,123,440	2,988,828
Construction in progress	421,901	272,530
Equipment	268,947	248,238
Rare books	89,807	85,281
Library books, periodicals, and bindings	270,347	265,161
Fine art objects	112,308	106,737
Total property	**$ 4,395,326**	**$ 4,069,121**
Accumulated depreciation	(1,167,603)	(1,077,382)
Total	**$ 3,227,723**	**$ 2,991,739**

Equipment, rare books, library books, periodicals, and bindings are stated at cost. Equipment includes items purchased with federal government funds; an indeterminate portion of those items are expected to be transferred to the University at the termination of the respective grant or contract. In addition to making purchases with University funds, the University, since its inception, has received a substantial number of fine art objects from individual gifts and bequests. Art objects acquired through June 30, 1973, are carried at insurable values at that date because it is not practicable to determine the historical cost or market value at the date of gift. Art objects acquired subsequent to June 30, 1973, are recorded at cost or fair value at the date of gift.

The University uses componentized depreciation for buildings and building improvements used for research. The costs of research facilities are separated into building shell, service system, and fixed equipment components that are separately depreciated.

Annual depreciation is calculated on the straight-line method over useful lives ranging from 15 to 50 years for buildings and improvements, 30 years for library books, and 10 and 15 years for equipment.

9. CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Under ASC 410-20, *Asset Retirement and Environmental Obligations—Asset Retirement Obligations,* companies must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The University has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement was estimated using site-specific surveys where available and a per-square-foot estimate based on historical cost where surveys were unavailable. The estimate is recorded as a liability and as an increase to the asset, and the capitalized portion is depreciated over the remaining useful life of the asset. The asset retirement obligation that is included in accrued liabilities was $10.1 million and $19.5 million at June 30, 2013 and 2012, respectively, and accretion expense on the asset retirement obligation was $0.4 million and $0.5 million for the years ended June 30, 2013 and 2012, respectively.

10. INCOME TAXES

ASC 740, *Income Taxes,* prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity before being measured and recognized in the financial statements. The University continues to evaluate its tax positions pursuant to the principles of ASC 740, and has determined that there is no material impact on the University's financial statements.

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income. The University files U.S. federal and various state and local tax returns. The statute of limitations on the University's U.S. federal tax returns remains open for the years ended June 30, 2010, through the present.

11. DEFERRED REVENUES

Deferred revenues primarily represent advance receipts relating to the University's real estate leasing activities. Such amounts are amortized over the term of the related leases.

12. INDEBTEDNESS TO THIRD PARTIES

At June 30, 2013 and 2012, the University's debt consisted of taxable bonds, taxable notes, loans through the New Jersey Educational Facilities Authority (NJEFA), commercial paper, various parent loans with a national bank, and a note with a regional bank, as follows:

(dollars in thousands)	2013	2012
Taxable Revenue Bonds		
January 14, 2009 Series A, 4.95% and 5.70%, due March 2019 and March 2039, net of unamortized discount of $2,856 and $2,966	$ 997,144	$ 997,035
Taxable Notes		
August 14, 2012, 3.372% due July 2042	170,000	-
NJEFA Revenue Bonds		
June 26, 2003 Series E, 3.94%, due July 2028, including unamortized premium of $0 and $2,698	-	53,738
September 18, 2003 Series D, 3.73%, due July 2019, including unamortized premium of $4,109 and $4,794	65,104	71,658
July 21, 2004 Series D, 4.50%, due July 2016, including unamortized premium of $1,248 and $1,664	19,263	25,073
March 18, 2005 Series A, 4.40%, due July 2030, including unamortized premium of $2,566 and $2,994	127,701	132,954
June 8, 2005 Series B, 4.24% due July 2035, including unamortized premium of $1,386 and $1,502	72,836	75,472
May 22, 2006 Series D, 4.39%, due July 2031, including unamortized premium of $678 and $716	63,118	65,381
August 3, 2006 Series E, 4.50%, due July 2027, including unamortized premium of $67 and $72	92,037	92,182
June 6, 2007 Series E, 4.53%, due July 2037, including unamortized premium of $4,125 and $4,297	293,085	299,822
May 22, 2007 Series F, 4.39%, due July 2030, including unamortized premium of $679 and $719	67,699	67,864
September 10, 2008 Series J, 4.39%, due July 2038, including unamortized premium of $3,935 and $4,092	235,200	240,322
October 28, 2008 Series K, 4.36%, due July 2023, including unamortized premium of $4,951 and $5,446	153,721	167,201
January 20, 2010 Series B, 4.03%, due July 2040, including unamortized premium of $10,948 and $11,354	251,763	256,829
June 15, 2011 Series B, 4.09%, due July 2041, including unamortized premium of $15,270 and $15,815	261,040	265,815
NJEFA Dormitory Safety Trust Fund Bonds		
August 14, 2001 Series A, due January 2016	2,497	3,329
NJEFA Capital Improvement Fund Bonds		
August 1, 2000 Series A, 5.72%, due September 2020	1,087	1,192
Commercial Paper		
Taxable	67,000	-
Tax-exempt (NJEFA)	50,700	20,400
Parent Loans	43,328	45,743
Notes	1,244	1,414
Total	**$ 3,035,567**	**$ 2,883,424**

The proceeds of NJEFA loans were used primarily for new construction, renovation, and rehabilitation of University facilities, annual major maintenance, and purchases of capital equipment.

On August 14, 2012, the University privately placed unsecured Taxable Notes in the amount of $170 million for student housing and other taxable needs. The University is authorized by the Board of Trustees to issue up to $300 million in debt, which it expects to issue in fiscal year 2014. The University intends to issue additional debt in the future.

The full faith and credit of the University is pledged in all loan agreements with the NJEFA.

In fiscal 1999, the University entered into a loan facility with a national bank to provide funding currently authorized by the Board of Trustees up to $90 million for the parent loan program. Fixed or variable rates may be selected on a pass-through basis to the borrowers; terms may be as long as 14 years. At June 30, 2013 and 2012, the balances outstanding were $43.3 million and $45.7 million, respectively, at rates ranging from 0.9 percent to 7.4 percent.

In fiscal year 1998, a commercial paper program was authorized as an initial step of financing to provide construction funds for approved capital projects. The proceeds permit construction to proceed until permanent financing from gifts or other sources is made available. The program has been authorized to a maximum level of $300 million. At June 30, 2013 taxable commercial paper was outstanding in the amount of $67.0 million with maturities from 77 to 91 days at an average interest rate of 0.1 percent. At June 30, 2013 and 2012, $50.7 million and $20.4 million, respectively, in tax-exempt commercial paper issued through the NJEFA was outstanding with maturities from 62 to 161 days, and interest rates at June 30, 2013 and 2012, of 0.1 percent and 0.1 percent, respectively.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2013, excluding commercial paper, are as follows:

(dollars in thousands)	Principal Payments
2014	$ 63,590
2015	77,744
2016	72,539
2017	74,613
2018	77,729
Thereafter	2,504,546
Subtotal	**2,870,761**
Unamortized premium	47,106
Net long-term debt	**$ 2,917,867**

The fair value of the University's long-term debt is estimated based on current notes offered for the same or similar issues with similar security, terms, and maturities. At June 30, 2013, the carrying value and the estimated fair value of the University's long-term debt, excluding commercial paper, were $2,917.9 million and $3,180.5 million, respectively. At June 30, 2012, the carrying value and the estimated fair value of the University's long-term debt, excluding commercial paper, were $2,863.0 million and $3,339.7 million, respectively.

The University has committed bank lines of credit totaling $200 million, under which the University may borrow on an unsecured basis at agreed-upon rates. There were $20.8 million and $7.2 million in letters of credit outstanding under these credit facilities at June 30, 2013 and 2012, respectively.

13. EMPLOYEE BENEFIT PLANS

All faculty and staff who meet specific employment requirements participate in a defined contribution plan, which invests in the Teachers Insurance and Annuity Association and College Retirement Equities Fund and Vanguard Fiduciary Trust Funds. The University's contributions were $48.7 million and $48.9 million for the years ended June 30, 2013 and 2012, respectively.

Postretirement Benefits Other Than Pensions

ASC 715, *Compensation—Retirement Benefits*, requires the recognition of a defined benefit postretirement plan's funded status as either an asset or a liability on the statement of financial position. Actuarial gains or losses and prior service costs or credits that arise during the period must be recognized as a component of unrestricted net assets. The University calculates its Accumulated Postretirement Benefit Obligation (APBO) in accordance with ASC 715, which was initially elected in 1993 to be amortized over 20 years. The University continues to recognize the cost of providing postretirement benefits for employees over the period of their working years.

The University provides single coverage health insurance to its retirees who meet certain eligibility requirements. Participants may purchase additional dependent or premium coverage.

The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with the University's expressed intent to increase retiree contributions in line with medical costs.

The benefit costs for the years ended June 30, 2013 and 2012, consisted of the following:

(dollars in thousands)	**2013**	**2012**
Service cost	$ 14,805	$ 11,756
Interest cost	12,315	14,998
Net amortization of transition amount	-	3,374
Total	**$ 27,120**	**$ 30,128**

The APBO at June 30, 2013 and 2012, consisted of actuarially determined obligations to the following categories of employees:

(dollars in thousands)	**2013**	**2012**
Retirees	$ 105,706	$ 106,814
Active employees eligible to retire	76,750	83,838
Other active participants	112,354	121,299
Total	**$ 294,810**	**$ 311,951**

As of June 30, 2013 and 2012, the APBO was unfunded.

An assumed discount rate of 4.75 percent and 4.00 percent was used to calculate the APBO at June 30, 2013 and 2012, respectively. The assumed health care cost trend rates used to calculate the APBO at June 30, 2012, were 7.0 percent, declining by 0.4 percent per year until the long-term trend rate of 5.0 percent is reached, for both medical and prescription drug claims. An increase of 1 percent in the cost trend rate would raise the APBO to $349.6 million and $372.6 million and cause the service and interest cost components of the net periodic cost to be increased by $7.2 million and $6.3 million for the years ended June 30, 2013 and 2012, respectively. A decrease of 1 percent in the cost trend rate would decrease the APBO to $251.5 million and $264.3 million and cause the service and interest cost components of the net periodic cost to be decreased by $5.4 million and $4.8 million for the years ended June 30, 2013 and 2012, respectively.

Postretirement plan benefit payments for fiscal years 2014 through 2018 are expected to range from $8.4 million to $11.1 million per year, with aggregate expected payments of $70.4 million for fiscal years 2019 through 2023. These amounts reflect the total benefits expected to be paid from the plan net of the participants' share of the cost and federal subsidies. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

Effective January 1, 2013, the University began providing Medicare retiree drug coverage through an employer group waiver plan (EGWP). Under EGWP, the cost of drug coverage is offset through direct federal subsidies, brand name drug discounts and reinsurance reimbursements. Prior to January 1, 2013, the University received retiree drug subsidy payments directly from the federal government under the Medicare Modernization Act. The net effect of these subsidies have been recognized in the calculation of the University's postretirement benefit obligation as of June 30, 2013 and 2012.

14. NET ASSETS

Net assets are categorized as unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. The unrestricted category also includes income and gains on these funds. Included in the total is the net investment in plant and equipment. Certain net assets classified as unrestricted for external reporting purposes are designated for specific purposes or uses under the internal operating budget practices of the University. Restricted net assets are generally established by donors in support of schools or departments of the University, often for specific purposes such as professorships, research, faculty support, scholarships and fellowships, athletics, the library, the art museum, building construction, and other specific purposes. Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions and time restrictions imposed by donors or implied by the nature of the gift, or by the interpretations of law. Temporary restrictions are normally released upon the passage of time or the incurrence of expenditures that fulfill the donor-specified purpose. Permanently restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that are required by donor-imposed restrictions to be permanently retained. Investment earnings are spent for general or specific purposes in accordance with donor wishes, based on the University's endowment spending rule.

15. NATURAL CLASSIFICATION OF EXPENSES

Operating expenses incurred for the years ended June 30, were as follows:

(dollars in thousands)	**2013**	**2012**
Salaries and wages	$ 543,984	$ 519,911
Employee benefits	152,545	191,368
Purchased services	148,001	134,642
Supplies and materials	58,646	55,593
Space and occupancy	78,662	74,624
Sub-recipient agreements	31,503	27,955
Other expenses	67,707	61,760
Other student aid	36,637	35,411
Depreciation	116,297	104,164
Interest	124,571	112,026
Total	**$ 1,358,553**	**$ 1,317,454**

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

16. COMMITMENTS AND CONTINGENCIES

At June 30, 2013, the University had authorized major renovation and capital construction projects for more than $975.6 million. Of the total, approximately $472.5 million had not yet been expended.

Minimum operating lease commitments at June 30, 2013, for space and equipment are as follows:

(dollars in thousands)	Lease Payments
2014	$ 6,285
2015	6,525
2016	6,525
2017	6,525
2018	6,525
Thereafter	32,432
Total	**$ 64,817**

The University has entered into certain agreements to guarantee the debt of others. Under these agreements, if the principal obligor defaults on the debt, the University may be required to satisfy all or part of the remaining obligation. The total amount of these guarantees was $26.9 million at June 30, 2013. Subsequent to June 30,2013, $5.0 million in guarantees was released from obligation.

The University is subject to certain legal claims that have arisen in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the University's financial position, statement of activities, or cash flows.

17. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 26, 2013, and determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

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APPENDIX B-2

REPORT ON INVESTMENTS, 2012-13

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Report on Investments

PRINCETON UNIVERSITY INVESTMENT COMPANY

As of June 30, 2013, Princeton's Endowment stood at $18.2 billion, an increase of roughly $1.2 billion from the year before.[1] The vast majority of the Endowment, $17.8 billion, is actively managed by the Princeton University Investment Company ("Princo").[2] While Princo maintains its own Board of Directors (the "Directors"), it is a University office operating under the final authority of the University's Board of Trustees (the "Trustees"). As detailed below, this portion of the Endowment generated an 11.7 percent investment return during fiscal 2013.

The purpose of the Endowment is to support the University's current and future operating needs, while preserving real value for future generations. This mission requires an expected long-term return that exceeds both the annual rate of spending and University inflation. To pursue this goal, Princo maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories.

Spending

Each year the Trustees decide upon an amount to be spent from the Endowment for the following fiscal year.[3] In their deliberations, the Trustees use a spending framework that is designed to enable sizable amounts to be spent in a reasonably stable fashion, while allowing for reinvestment sufficient to preserve purchasing power in perpetuity. The framework targets annual spending rates of between 4.00 percent and 5.75 percent.

In fiscal 2013, the Endowment spending distribution, in aggregate, equaled $778 million.[4] Spending per Endowment unit equated to 4.7 percent of market value at the start of fiscal 2013.

Asset Allocation

Asset allocation involves deciding what share of the portfolio should be placed in the various broad asset categories. The decisions attempt to balance the relative merits of equities versus fixed income, domestic versus foreign investments, and publicly-traded versus non-marketable assets.

Princeton's long-term asset allocation decisions are embodied in a Policy Portfolio that describes the asset categories in which Princeton will invest, a set of target weights that indicate how the portfolio will be positioned in "normal" market conditions, and a range of weightings within which exposures can be adjusted in response to mid-term opportunities arising from significant market disequilibria or to other unusual circumstances. Figure 1 depicts the Policy Portfolio targets.

Readily manifest is Princo's bias towards equities or equity-like assets—95 percent of the portfolio is allocated toward these investments. Also striking is the relatively small portion, 8.0 percent, of the portfolio dedicated directly to Domestic Equities. Large portions of the portfolio are allocated to other high expected-return categories. Independent Return, Private Equity, and Real Assets bear further description. Independent Return is broadly defined as consisting of investment vehicles that seek high absolute returns that are typically independent of broad market trends. Private Equity and Real Assets include investments in private companies, venture capital opportunities, real estate, and

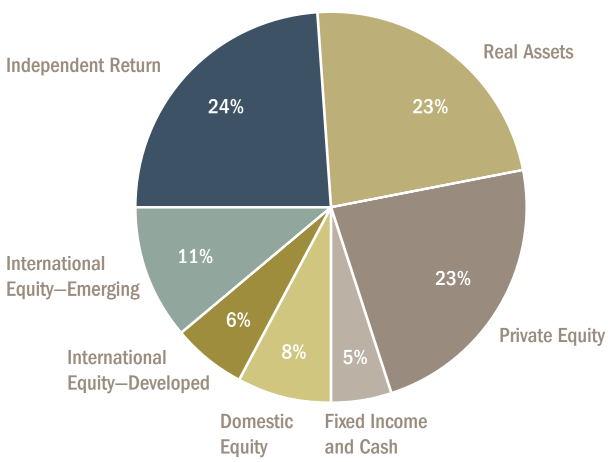
1 Excluded from Princeton's traditional definition of "Endowment" are working capital, planned giving investments, and proceeds from debt.

2 The pool actively managed by Princo excludes University mortgages, loans, and other assets held primarily for strategic University purposes. "Endowment net assets" as reported in the notes to the Consolidated Financial Statements in the amount of $17.7 billion as of June 30, 2013 further exclude agency funds in custody for others.

3 Excluded from these decisions are funds devoted to certain strategic purposes, such as subsidizing faculty and staff housing.

4 Investment earnings distributed in fiscal year 2013 in the amount of $784 million in the Statement of Activities is comprised of Endowment spending of $778 million, plus earnings from funds held in trust by others, working capital, planned giving investments, and other non-endowment investments.

Figure 1
PRINCETON UNIVERSITY POLICY PORTFOLIO
June 30, 2013



natural resources. These areas can offer attractive opportunities for skilled, patient investors.

The Policy Portfolio is diversified among asset categories for a number of reasons. Most importantly, PRINCO seeks return premia, in both risk-adjusted and absolute terms. In each equity asset category, Princeton has competitive advantages that create superior return potential. A broader opportunity set means that the portfolio may be capable of producing high returns more often and in a greater variety of environments. The multi-asset class approach also offers diversification benefits that help to control risk in most environments.

PRINCO's Directors, working closely with PRINCO Staff, review the Policy Portfolio annually. As part of the fiscal 2013 review, PRINCO increased the Domestic Equity policy target from 6.5 percent to 8.0 percent, increased the target for International Developed Equity from 5.5 percent to 6.0 percent, and decreased the target for Independent Return from 25.0 percent to 24.0 percent. Increases in the targets for Domestic Equity and International Developed Equity were based on bottom-up, manager specific considerations, as well as a desire to create room to add more liquid equity exposure. Shifting exposure from Independent Return to other marketable equity categories was aimed at enhancing Endowment liquidity. PRINCO also combined Fixed Income and Cash (FIC) into a single asset class in order to clarify exposures, and we reduced the FIC policy target from 6.0 percent to 5.0 percent in order to increase the Endowment's expected compound growth rate.

Table 1 gives a historical perspective, showing how the Policy Portfolio has evolved over two decades. Clearly evident is the long-standing practice of aggressive positioning. While non-traditional investments have grown as a share of the portfolio, this growth represents deliberate-paced, incremental expansion reflecting extensive consideration over multiple years.

Diversification into international investments is an important part of our multi-asset class approach. PRINCO believes such investments have the potential to increase long-term expected returns while helping to manage portfolio risk. Relative to the U.S., international markets tend to be less efficient, providing meaningful opportunities for adding value through active management.

An important part of PRINCO's approach to international investments is

Table 1
PRINCETON UNIVERSITY ENDOWMENT POLICY PORTFOLIO TARGETS*

Every Five Years Since 1994

Asset Class	1994	1999	2004	2009	2014
Domestic Equity	45.0%	20.0%	17.0%	7.5%	8.0%
International Equity:					
Developed Markets	10.0%	7.5%	8.5%	6.5%	6.0%
Emerging Markets	0%	7.5%	8.5%	9.0%	11.0%
Independent Return	0%	25.0%	25.0%	25.0%	24.0%
Private Equity	15.0%	15.0%	15.0%	23.0%	23.0%
Real Assets	10.0%	10.0%	14.0%	23.0%	23.0%
Total Equity	**80.0%**	**85.0%**	**88.0%**	**94.0%**	**95.0%**
Fixed Income and Cash	20.0%	15.0%	12.0%	6.0%	5.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

**Policy targets are pro-forma based on current asset class definitions*

an emphasis on "foreign local" managers based outside of the U.S. Over time we have gained more exposure to such managers in both marketable and non-marketable categories. Indeed, we have formally articulated efforts in this regard as our "Grand Unifying Theme". This theme, while very important, is not fully visible in the Policy Portfolio as it cuts across several asset categories. On June 30, 2013, about 29 percent of the Endowment (including uncalled commitments) was controlled by managers based outside of the U.S.

Table 2 compares PRINCO's long-term Policy Portfolio asset allocation targets with the actual weights as of June 30, 2013. Within relatively small and pre-determined ranges, PRINCO's Staff and Directors will intentionally over- or under-weight more or less compelling asset categories. These deliberate allocation overlays occur most frequently in the marketable asset categories.

Within Private Equity and Real Assets, deviations from Policy Portfolio targets can occur without deliberate intent, due to funding and market dynamics. When the Policy Portfolio targets for Private Equity and Real Assets were established, and when they are reviewed, it is with the understanding that allocation deviations in these categories are neither easily, nor cheaply, controlled with great precision, and therefore will often need to be offset by allocation adjustments in other categories.

That said, the large overweight in Private Equity is unintentional and deserves further comment. With hindsight we recognize that our commitments to Private Equity funds during fiscal years 2006 thru 2008 were too high. Since that time, we have reduced our commitment pace to a sustainable steady-state rate, and are in the process of gliding gradually over several years back to the target allocation.

(Continued)

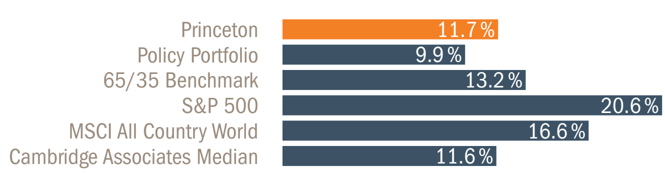
Table 2
ASSET ALLOCATION
June 30, 2013

Allocation	Policy Target	Actual
Domestic Equity	8.0 %	7.6 %
International Equity		
Developed Markets	6.0 %	5.4 %
Emerging Markets	11.0 %	7.8 %
Independent Return	24.0 %	21.2 %
Private Equity	23.0 %	32.8 %
Real Assets	23.0 %	20.8 %
Fixed Income and Cash	5.0 %	4.4 %

Indeed, exposure to the category has declined from 38.2 percent at the end of fiscal 2011 to 32.8 percent at the end of fiscal 2013, despite the category's strong performance. (Private Equity has generated a 13.9 percent annualized return over the past three years relative to a 12.0 percent return for the entire Endowment.) It will, however, take time for exposure to decline to the 23 percent policy target level.

Within Fixed Income and Cash we continue to hold only Cash due to a combination of exceptionally low yields that U.S. government bonds offer, increased price risk, and decreased "insurance" functionality.[5]

Figure 2
ENDOWMENT PERFORMANCE VS. BENCHMARKS
Fiscal Year 2013



Return to Policy Portfolio represents the weighted average of individual asset class benchmark returns.

Table 3
PRINCETON ASSET CLASS RETURNS
Fiscal Year 2013

Asset Class	Return
Domestic Equity	21.5 %
International Equity	
Developed Markets	33.6 %
Emerging Markets	8.3 %
Independent Return	16.5 %
Private Equity	10.1 %
Real Assets	7.6 %
Fixed Income and Cash	0.1 %
Indices	
S&P 500	20.6 %
MSCI All Country World Index	16.6 %

Performance

For the fiscal year ending June 30, 2013 (see figure 2), the Endowment produced a positive 11.7 percent return on invested assets, outperforming our primary benchmark, the Policy Portfolio Index (or "PPI"), by 1.8 percent, and the median college and university endowment by 0.1 percent.[6] However, both the Endowment and PPI lagged our secondary benchmark —a 65/35 blend of the S&P 500 and the Barclays Government/Credit Bond Index—which produced a 13.2 percent return.[7] Diversification imposed a relative performance drag as the U.S. market rallied sharply, with the S&P 500 gaining 20.6 percent. Indeed, in terms of benchmark returns, U.S. equities outpaced all other asset categories during the year.

All of Princeton's asset categories generated positive returns during the year (see table 3). International Developed Markets Equity was the star of the year with a 33.6 percent return that almost doubled its benchmark. Absolute returns

[5] A key reason for holding high quality fixed income is that it provides "insurance" against deflation and extended equity market declines. In particular, we expect yields to decline and bond prices to rise in many crisis scenarios. However, given current low yields, there is less room for further declines, reducing the insurance functionality.

[6] Policy Portfolio returns represent a weighted average of individual benchmark returns. The median college and university endowment returns represent data compiled by Cambridge Associates for over 150 college and university endowments.

[7] The 65% S&P 500/35% Barclays Government/Credit Index portfolio represents what an investor would earn from a 65/35 investment in these equity and fixed income market indices, rebalanced annually. Since its inception in 1987, Princo has used this benchmark to represent the returns that might have been earned by institutional investors pursuing more traditional investment approaches.

Figure 3
ENDOWMENT PERFORMANCE VS. BENCHMARKS
10 Years Ending June 30, 2013

Return to Policy Portfolio represents the weighted average of individual asset class benchmark returns.

in Domestic Equity and Independent Return were also very strong. While absolute results were lower in Emerging Markets, relative performance was exceptional—its return *did* double its benchmark. Private Equity gained 10.1 percent, a solid result but one that falls short of our expectations. Performance within Real Assets was mixed, with results negatively impacted by public equity exposure held in the asset class. Our decision in 2011 to sell bonds and only hold cash in the Fixed Income and Cash (FIC) category was beneficial during the year. U.S. Government interest rates were up in fiscal 2013, resulting in the benchmark suffering a loss while the FIC category essentially broke even.

Generally speaking, the evaluation of our investment program should focus on the long-term, and our long-term results are strong in both absolute and relative terms (see figure 3). In a decade of challenging market conditions and lower than average inflation, Princeton's portfolio earned an annualized return of 10.2 percent. (For context, the Higher Education Price Index—a measure of University inflation—averaged 2.9 percent over this period.) The portfolio's gain compares favorably against the 9.9 percent return for the Policy Portfolio Index and the 7.7 percent return for the median college and university endowment. The managed investment portfolio also did very well relative to the passive 65/35 benchmark, which produced an annualized ten-year return of 6.7 percent. Over the past ten years, Princeton's excess performance relative to the Policy Portfolio, median college and university, and 65/35 benchmark has added approximately $600 million, $4 billion, and $6 billion, respectively, to the Endowment.

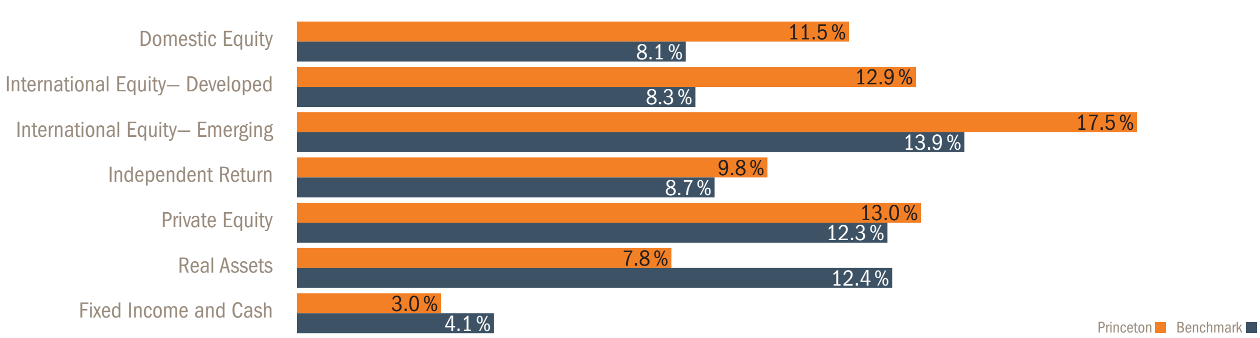
Additional long-term perspective is available by looking at performance over rolling ten-year periods. Table 4 compares PRINCO's investment performance over rolling-ten-year periods versus that of the 65/35 benchmark. Over rolling decade-long periods the Endowment has consistently outperformed the more conventional, more liquid 65/35 benchmark.

Over the past ten years, Princeton outperformed within asset categories by an average annualized margin of 1.1 percent, with five of seven asset categories outperforming their respective benchmarks (see figure 4). Results in the easily benchmarked categories (Domestic Equity, International Developed Equity, and Emerging Markets) have been very strong in absolute terms, and exceptional in relative terms. Emerging Markets produced the highest absolute return of the Endowment's asset categories, despite suffering through a sharp decline during the 2008-2009 financial crisis.

Table 4
ANNUALIZED 10 YEARS RETURNS

Fiscal Year	PRINCO	65/35	Difference
1995-2004	15.5%	10.7%	4.8%
1996-2005	15.6%	9.3%	6.3%
1997-2006	15.6%	8.0%	7.6%
1998-2007	16.2%	7.1%	9.1%
1999-2008	14.9%	4.2%	10.7%
2000-2009	9.7%	1.0%	8.7%
2001-2010	7.9%	1.6%	6.3%
2002-2011	9.8%	4.2%	5.6%
2003-2012	9.9%	5.9%	4.0%
2004-2013	10.2%	6.7%	3.5%

Figure 4
PRINCETON ASSET CLASS RETURNS VS. BENCHMARKS
Ten Years Ending June 30, 2013



Benchmarks used:
Domestic Equity: Wilshire 5000 Index;
International Equity–Developed: MSCI World ex-US Index prior to 6/30/10; MSCI World ex-US IMI thereafter;
International Equity–Emerging: MSCI Emerging Markets Index prior to 6/30/10; MSCI Emerging Markets IMI thereafter;
Independent Return: (40% Wilshire 5000 + 60% 91-day T-Bill) + 550 bps annualized until 6/30/10;
40% MSCI All Country World Index + 60%*(91-day T-Bill + 650 bps annualized) through 6/30/12; thereafter,
HFRI Fund Weighted Composite Index + 50 basis points per annum;
Private Equity: Customized Cambridge Associates benchmark;
Real Assets: Levered NCREIF Property Index until 6/30/03; Blend of levered NCREIF Property Index and a timber component through 6/30/04.
Energy component added thereafter. Levered NCREIF Property Index changed to Cambridge Associates Real Estate benchmark at 6/30/10;
Fixed Income & Cash: Barclays Government Bond Index.

The strong performance would not have been possible without the shift in our Emerging Markets manager roster over the last decade, from employing generalist managers to investing primarily with foreign-based, single-country and regional specialists. Private Equity was the second best performing asset class, generating strong absolute and relative returns. The Real Assets portfolio produced solid absolute returns, modestly outpacing our inflation-adjusted return expectations for the asset class. Nevertheless, the portfolio lagged its benchmark meaningfully. Our trailing of the benchmark is partially explained by some regrettable investment decisions, as well as some good decisions that generated bad results. However, more significantly, the comparison to the benchmark is made less meaningful by the fact that Real Assets is an inherently difficult asset class to benchmark. Indeed, we have often had to select the "least bad" benchmark. As a result, a substantial amount of the long-term underperformance relates to mismatches between the components of the benchmark and our program. The underperformance of Fixed Income and Cash is due to the buildup of cash holdings in fiscal 2011 and 2012, as well as the episodic presence of significant cash balances, held transitionally during periods of portfolio-wide rebalancing.

Given the strong bull market in the U.S. this year, it would have been easy to make a "ton of dough" following a simple investment approach. In contrast, we made money the hard way. We continued to execute well a sophisticated, complex, global, multi-asset class investment approach. Much of our gains reflected hard work performed in years past.

It is tempting to ask, "Is all the complexity and hard work worth it?" After all, we would have done better *this year* if we had kept it simple. Indeed, "simple" has beaten "complex" over the *most recent* five-year span. But, focusing on "*this year*" and "*most recent*" is no way to design a long-term investment program.

The Endowment's mission is perpetual. As we like to say, "Perpetuity is a long way down the road." Therefore our investment horizon, as well as the focus of any retrospective evaluation of our results, must be long term.

Our sophisticated, complex, global, multi-asset class approach has outperformed over the long term—by a lot. Looking forward, our approach positions us to produce sizable gains in a greater variety of environments than "simple" ever could.

Andrew Golden
President, Princeton University Investment Company

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APPENDIX C

SUMMARIES OF CERTAIN DOCUMENTS

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APPENDIX C

SUMMARIES OF CERTAIN DOCUMENTS

The following statements are brief summaries of the General Resolution, the 2014 Series A Series Resolution, and the Loan Agreement. These summaries do not purport to be complete statements of the terms of such documents, and are qualified by reference to the full text of the respective documents, copies of which are available from the Authority.

GENERAL RESOLUTION AND 2014 SERIES A SERIES RESOLUTION

The General Resolution authorizes the Authority to issue Bonds in order to finance one or more facilities at the University, in one or more series, each of such series to be authorized by a separate Series Resolution. The 2014 Series A Series Resolution authorizes the 2014 Project and the issuance of the 2014 Series A Bonds and specifies the details of the 2014 Series A Bonds.

Establishment of Funds and Accounts

The following funds and accounts within funds shall be established: Construction Fund; Revenue Fund; Debt Service Fund (Principal Account, Interest Account and Sinking Fund Account for each of the 2014 Series A Bonds); Facility Renewal and Replacement Fund; Redemption Fund and Rebate Fund. All funds and accounts shall be held and maintained by the Trustee, except the Construction Fund, which shall be held by the Trustee and maintained and applied by the Authority.

Allocation of Revenues

There is established and created by the 2014 Series A Series Resolution an account within the Revenue Fund to be designated the "2014 Series A Revenue Account". Notwithstanding anything in the General Resolution to the contrary, moneys in the 2014 Series A Revenue Account of the Revenue Fund shall be paid to the Trustee on or prior to the fifth 5th day after deposit thereof as follows and in the following order of priority:

First: To the Interest Account, the amount necessary to equal the unpaid interest to become due on the Bonds Outstanding on the next succeeding semiannual interest payment date.

Second: To the Principal Account, the amount, if any, necessary to make the amount on deposit in the Principal Account equal to the principal amount becoming due on the Bonds Outstanding on the next succeeding July 1.

Third: To the Sinking Fund Account, the amount necessary to make the amount on deposit in the Sinking Fund Account equal to the sinking fund installment payable on the next succeeding July 1.

Fourth: To the Authority, the amounts as are payable to the Authority for (i) any expenditures of the Authority for insurance, fees and expenses of auditing and fees and expenses of the Trustee, all as required by the General Resolution and not otherwise paid or caused to be paid or provided for by the University; (ii) all other expenditures reasonably and necessarily incurred by the Authority by reason of its financing of the 2014 Project in accordance with the Loan Agreement, including expenses incurred by the Authority to compel full and punctual performance of all provisions of the Loan Agreement in accordance with the terms thereof; and (iii) the Annual Administrative Fee unless otherwise paid, but only upon receipt by the Trustee from the Authority of a certificate signed by an Authorized Officer of the Authority stating in reasonable detail the amounts payable to the Authority.

Additional Bonds

In addition to the 2014 Series A Bonds, the Authority may issue, by a Series Resolution, completion Bonds to complete a Facility financed under the General Resolution and to finance or refinance any other project authorized under the General Resolution, which Additional Bonds shall be entitled to the pledge of the Revenues made by the General Resolution on parity with all Bonds then Outstanding.

Refunding Bonds may be issued to refund any one or more series of Bonds, in accordance with the Act and, unless all Bonds issued under the General Resolution are to be refunded, in accordance with the provisions of the General Resolution and the Series Resolution authorizing such refunding Bonds.

The Authority shall not create or permit the creation of or issue any obligations or create any additional indebtedness that will be secured by a charge and lien on or be payable from the Revenues, except that Additional Parity Bonds as described above may be issued from time to time pursuant to a Series Resolution, subsequent to the issuance of the 2014 Series A Bonds, on parity with all Bonds then Outstanding and secured by an equal charge and lien on and payable equally from the Revenues to (i) complete a facility, (ii) provide funds for the creation of a debt service reserve fund for one or more series of Bonds, or (iii) provide funds to finance an additional Facility, under the following conditions and limitations:

Such Additional Parity Bonds shall have been authorized to finance or refinance the acquisition, construction or completion of a Facility for which the University has requested financing or refinancing from the Authority or to provide funds for the creation of a debt service reserve fund for one or more series of Bonds.

The University enters into a Loan Agreement with the Authority with respect to such Facility agreeing to pay as a general obligation of the University, from its general revenues and funds, all moneys required to be paid in respect of the Additional Parity Bonds, including amounts sufficient to pay the principal of, sinking fund installments, if applicable, and interest on the Additional Parity Bonds together with all of the costs relating thereto.

The University is not in default under the terms and conditions of any existing Loan Agreement.

The University, in the Loan Agreement executed with respect to the Facility being financed with the proceeds derived from the Additional Parity Bonds, agrees to make loan payments equal to the debt service requirements on such Bonds.

There is at the time of issuance of such Additional Parity Bonds no deficiency in the amounts required to be deposited by the General Resolution and all existing Series Resolutions and to be paid into the Debt Service Fund.

Investment of Moneys in Funds and Accounts

Moneys in any of the funds and accounts established pursuant to the General Resolution shall be invested, except moneys in the Revenue Fund, which shall not be invested, if and to the extent the same are at the time legal for the investment of the Authority's funds, but only as follows:

(a) Moneys in each Interest Account only in direct obligations of or obligations guaranteed by the United States of America or the State, maturing or redeemable, at the option of the holder, not later than ten (10) days prior to the next ensuing interest payment date of the 2014 Series A Bonds.

(b) Moneys in each Principal Account or any Sinking Fund Account only in direct obligations of or obligations guaranteed by the United States of America or the State, maturing or redeemable, at the option of the holder, not later than ten (10) days prior to the next ensuing principal or sinking fund installment payment date of the 2014 Series A Bonds.

(c) Moneys in each subaccount of the Facility Renewal and Replacement Fund only in obligations authorized by law for the investment of trust funds in the custody of the Treasurer of the State.

(d) Moneys in the Redemption Fund only in direct obligations of or obligations guaranteed by the United States of America or the State, maturing or redeemable, at the option of the holder, not later than the next succeeding interest payment date on which Bonds are subject to redemption.

Subject to the provisions of the Act, moneys held by the Authority in each Construction Fund shall be held in cash or may be invested by the Authority only in (i) obligations of or obligations guaranteed by the United States of America or the State; (ii) certificates of deposit or time deposits of banks or trust companies, fully secured by direct obligations of the United States of America, the State or the Authority, of a market value equal to the amount of such certificate of deposit or time deposit; (iii) repurchase agreements fully secured by obligations of the kind specified in (a), (b) or (d) above; (iv) shares of an open-end, diversified investment company registered under the Investment Company Act of 1940, as amended, which (1) 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; (2) seeks to maintain a constant net asset value per share; and (3) has aggregate net assets of not less than $10,000,000 on the date of purchase of such shares, maturing in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such Construction Funds; *provided, however*, that such obligations shall mature or be redeemable, at the option of the holder, not later than two (2) years from the date of purchase thereof; or (v) the New Jersey Cash Management Fund; or (vi) investment agreements with banks that at the time such agreement is executed are rated by Standard & Poor's Rating Group, a division of McGraw-Hill ("S&P") or Moody's Investors Service ("Moody's") in one of the two highest rating categories assigned by S&P or Moody's (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) or investment agreements with non-bank financial institutions which, (1) all of the unsecured direct long-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution that is rated by S&P or Moody's at the time such agreement is executed is rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if such non-bank financial institutions have no outstanding long-term debt that is rated, all of the short-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution that is rated by S&P or Moody's in the highest rating category (without regard to any refinement or graduation of the rating category by numerical modifier or otherwise) assigned to short term indebtedness by S&P or Moody's.

Interest earned, profits realized and losses suffered by reason of any investment shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made.

The Trustee may sell or redeem any obligations in which moneys shall have been invested pursuant to the General Resolution, to the extent necessary, in its sole discretion, to provide cash in the respective funds or accounts, to make any payments required for the payment of principal of or interest on any Bonds, or to facilitate the transfers of moneys between various funds and accounts as may be required for such payments.

The Authority may sell or redeem obligations in which moneys in the Construction Fund shall have been invested to the extent necessary to provide cash in such fund.

In computing the value of assets of any fund or account, investments shall be deemed a part thereof and shall be valued at cost or current market value, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder.

The proceeds from the sale of any investment shall be paid into the fund or account, as the case may be, on whose behalf the sale thereof was made.

Neither the Trustee nor the Authority shall be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts shall be invested or for any loss arising from any investment or any disposition of said obligations.

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Facility and each Series Resolution, which records and accounts shall be subject to the inspection of the Trustee or any holder of a Bond of the Series issued for such Facility (or his representative duly authorized in writing) at reasonable hours and subject to the reasonable rules and regulations of the Authority. The Authority shall cause such records and accounts to be audited annually within ninety (90) days after the end of its fiscal year by a nationally recognized independent public accountant selected by the Authority. Annually, within thirty (30) days after receipt by the Authority of the report of such audit, a signed copy of such report shall be furnished to the Trustee. Such report shall include at least: a statement of all funds (including investments thereof) held by the Trustee and the Authority pursuant to the provisions of the General Resolution and each Series Resolution; a statement of the Revenues collected in connection with each Facility and each Series Resolution; a statement that the balances in the Facility Renewal and Replacement Fund meet the requirements of the General Resolution and the Series Resolutions; and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the General Resolution and the Series Resolutions was obtained or, if knowledge of any such default was obtained, a statement thereof.

Events of Default

An event of default shall exist under the General Resolution and under the Series Resolutions (herein called "event of default") if:

(a) Payment of the principal or sinking fund installment of any Bond shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise;

(b) Payment of an installment of interest on any Bond shall not be made when the same shall become due and payable, and such default shall continue for a period of thirty (30) days;

(c) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, in the General Resolution or in any Series Resolution on the part of the Authority to be performed, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds; or

(d) An event of default, as defined in a Loan Agreement, has occurred under such Loan Agreement and its continuing.

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the preceding Caption, then and in every such case the Trustee may declare, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall declare, by a notice in writing to the Authority, the principal of and interest on all of the Outstanding Bonds to be immediately due and payable. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Bonds or in the General Resolution or in any Series Resolution to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default or the completion of the enforcement of any other remedy under the General Resolution, the Trustee may, with the written consent of the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable by the Authority under the General Resolution and under the Series Resolutions shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the General Resolution (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Caption) or in any Series Resolution shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Caption above entitled "Events of Default," then and in every such case the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed (subject to certain provisions of the General Resolution), to protect and enforce its rights and the rights of the holders of the Bonds under the laws of the State of New Jersey, under the General Resolution or under any Series Resolution by such suits, actions or special proceedings at law or in equity, either for the specific performance of any covenant contained in the General Resolution or in any Series Resolution or in aid or execution of any power therein granted, for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the General Resolution or under any Series Resolution, the Trustee shall be entitled to sue for, to enforce payment of and to receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the General Resolution, any Series Resolution or the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the General Resolution, under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or the holders of such Bonds, and to recover and enforce judgment or decree against the Authority, but solely as provided in the General Resolution and in such Bonds, for any portion of such amounts remaining unpaid (with interest, costs and expenses) and to collect in any manner provided by law the moneys adjudged or decreed to be payable.

Supplemental Resolutions

The Authority may, with the approval of the Trustee, adopt Supplemental Resolutions to cure any ambiguity, formal defect or omission in the General Resolution, to add to the covenants and agreements of the Authority or to surrender any right or power reserved to the Authority. The General Resolution, any Series Resolution or any Supplemental Resolution may be modified, altered, amended, added to or rescinded in any particular from time to time with the consent of the holders of not less than sixty-six and two-thirds per centum (66-2/3%) in aggregate principal amount of the Bonds then Outstanding so affected; *provided,* that nothing shall permit (a) an extension of the maturity of or interest on any Bond, (b) a reduction in the principal amount, the redemption premium or the rate of interest on any Bond, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution, without the consent of all Bondholders so affected.

LOAN AGREEMENT

The following statements are brief summaries of the Loan Agreement, which do not purport to be complete. Reference is made to the Loan Agreement in its entirety, copies of which are available from the Authority. Capitalized terms used but not defined below shall have the respective meanings assigned to such terms herein or in the Loan Agreement.

General Obligation of University

The Loan Agreement and the obligation of the University to make the payments required thereunder are general obligations of the University, such payments to be made from any moneys of the University legally available therefor.

Duration of Agreement

The Loan Agreement shall remain in full force and effect from the date thereof until the date on which the principal of and redemption premium, if any, and interest on the 2014 Series A Bonds and any other costs of the Authority with respect to the 2014 Project shall have been fully paid or provision for the payment thereof shall have been made as provided by the Resolution and the 2014 Series A Series Resolution, at which time the Loan Agreement shall terminate.

Agreement for Benefit of Bondholders

The Loan Agreement is executed in part to induce the purchase by others of the 2014 Series A Bonds, and, accordingly, all covenants and agreements on the part of the University and the Authority, as set forth in the Loan Agreement, are for the benefit of the holders of the 2014 Series A Bonds and any other bonds issued and to be issued on a parity with the 2014 Series A Bonds as permitted by the Resolution.

Conditions Precedent to Disbursement of Moneys

The obligation of the Authority to make any disbursement of moneys based upon construction or renovation shall be subject to the following conditions, as well as any others set forth in the Loan Agreement: (i) the University shall not be in default under the Loan Agreement; and (ii) construction shall have progressed at a rate and in a manner reasonably satisfactory to the Authority.

If the University fails to meet the conditions precedent to the full disbursement of the Loan as specified in the preceding paragraph, the obligation of the Authority to make further disbursements in connection with the Loan shall cease. In such event, the Authority may elect, in its sole discretion, either (i) to permit the Loan to continue, with the total of all disbursements or advances previously made to constitute the total amount of the Loan; or (ii) to declare the amount of all such disbursements or advances immediately due and payable, in accordance with the right reserved in this Agreement; provided, however, the Authority, in its sole discretion, may waive any of the foregoing requirements and may take such other action as it deems appropriate. In any event, the approval of the disbursement of moneys shall not be unreasonably withheld.

Payment Unconditional

The University unconditionally agrees to pay to the Authority or on its order the payments required by the Loan Agreement in the manner and at the times provided by the Loan Agreement.

Payment Obligations of University

The obligation of the University to pay or cause to be paid the amounts payable under the Loan Agreement are absolute and unconditional, and the amount, manner and time of payment of such amounts shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening of any event. The amounts payable by the University shall be equal to all sums necessary for the payment of certain fees and expenses of the Authority and the Trustee, and shall be calculated and payable as follows:

(a) For the Bond Year beginning July 1, 2013 and for each Bond Year thereafter, an amount equal to the amount of interest on the 2014 Series A Bonds Outstanding becoming due on January 1 in such Bond Year and on the July 1 immediately succeeding the expiration of such Bond Year.

(b) For the Bond Year beginning July 1, 2015 and for each Bond Year thereafter, the amount of principal of the 2014 Series A Bonds Outstanding becoming due on the July 1 immediately succeeding the expiration of such Bond Year.

(c) For the Bond Year beginning July 1, 2013 and for each Bond Year thereafter, an amount equal to the sum of the following three items: (i) any expenditures of the Authority for insurance, fees and expenses of auditing and fees and expenses of the Trustee, any paying agents and depositories, and not otherwise paid or provided for by the University; (ii) all other expenditures reasonably and necessarily incurred by the Authority by reason of its financing of the 2014 Project, including expenses incurred by the Authority to compel full and punctual performance of all of the provisions of this Agreement in accordance with the terms hereof; and (iii) all amounts to the extent required to be deposited by the Authority in the rebate account for the Bonds in the Rebate Fund pursuant to Section 4.11 of the Resolution and the Letter of Instructions, less amounts transferred from the Construction Fund to satisfy such requirement. Any expenditures of the Authority made pursuant to items (i) and (ii) of this subparagraph shall be certified by the Authority to the University in writing as soon as practicable and shall thereupon be paid or caused to be paid by the University.

(d) For the Bond Year beginning July 1, 2014 and for each Bond Year thereafter, the Annual Administrative Fee to be paid to the Authority in the amount of 1/10 of 1% of the principal amount of the 2014 Series A Bonds Outstanding, provided, such fee shall not be greater than $50,000.

To secure payment of the amounts required hereunder, the University has caused to be created a loan account for the 2014 Series A Bonds (the "Loan Account") to be maintained with the Trustee. Except for the payments on account of rebate required by clause (iii) of subparagraph (c) of this Caption, the University covenants and agrees that it will deposit or cause to be deposited with the Trustee: (i) no later than June 20th and December 20th in each Bond Year, into the Loan Account, one-half (1/2) of the portion of the Loan payments due in such Bond Year for the 2014 Series A Bonds pursuant to paragraphs (a), (c) and (d) this Caption and (ii) no later than June 20th in each Bond Year, into the Loan Account, the full amount of the portion of the Loan payment due in such Bond Year for the Bonds pursuant to paragraph (b) of this Caption. Moneys in the Loan Account will be transferred by the Trustee to the Revenue Fund created by the Resolution on June 25 and December 25 of each year. The payments on account of rebate required by clause (iii) of subparagraph (c) of this Caption shall be paid to the Trustee for deposit in the rebate account for the 2014 Series A Bonds in the Rebate Fund at the times requested by the Authority.

The moneys in the Loan Account shall be invested at the direction of the University with the approval of the Authority, or if no instructions are received from the University, by the Authority, in (i) obligations of, or guaranteed by, the United States of America or the State of New Jersey, (ii) certificates of deposit or time deposits of banks or trust companies; provided, that all such moneys in each such certificate of deposit or time deposit shall be continuously and fully secured by direct obligations of the United States of America, the State of New Jersey or the Authority of a market value equal, at the time of purchase, to the amount of such certificate of deposit or time deposit, (iii) repurchase agreements fully secured by obligations described in clause (i) above, or (iv) shares of an open-end, diversified investment company registered under the Investment Company Act of 1940, as amended, which (1) 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 the date of purchase; (2) seeks to maintain a constant net asset value per share; and (3) has aggregate net assets of not less than $10,000,000 on the date of purchase of such shares, maturing in such amounts and on such dates as may be necessary to provide moneys to meet the payments from the Loan Account.

The Authority shall not declare an Event of Default under this Agreement with respect to the payments required in subparagraphs (c) and (d) of this Section 15 until the Authority has furnished the University with a statement of amounts due and the University has failed to pay the same within ten (10) days after receipt of such statement.

Voluntary Payments by the University

The Authority and the University agree that The University shall have the right to make voluntary payments in any amount to the Trustee for deposit in the Redemption Fund, if the University in not in default under the Agreement. Upon notification by the University to the Authority of any such voluntary payment, the Authority agrees that it shall direct the Trustee to purchase or redeem Bonds in accordance with the provisions of the Resolution and the 2014 Series A Series Resolution.

Insurance

The University agrees that, with respect to Facility Z, it shall maintain, with responsible insurers, insurance of the kinds and in the amounts generally carried by institutions of similar size and character. All policies and certificates of insurance shall be open to inspection by the Authority and the Trustee at reasonable times and upon reasonable notice. The University agrees that it will insure any such facilities at replacement cost subject only to standard insurance industry exclusion and that it will notify the Authority and the Trustee within thirty (30) days of any deviation from standard insurance industry practice.

Termination

The Authority and the University agree that, upon sixty (60) days written notice to the Authority, the University shall have the right to terminate the Loan Agreement by paying to the Authority or to the Trustee for the account of the Authority an amount equal to the sum of the following items: (i) the aggregate principal amount of the Outstanding 2014 Series A Bonds on the date of such termination; (ii) accrued interest thereon to the date that the 2014 Series A Bonds are next redeemable; (iii) redemption premiums, if any, due thereon to the next applicable redemption date, all in accordance with the provisions of the 2014 Series A Bonds, the Resolution and the 2014 Series A Series Resolution; and (iv) all other costs of the Authority and the Trustee in connection with such redemption; provided, however, that the indemnification provisions set forth in the Loan Agreement shall survive the termination of this Agreement.

Events of Default; Remedies on Default

(a) As used in the Loan Agreement, the term “Event of Default” shall mean:

(1) If payment of any amount due under subparagraphs (a) or (b) under the Caption above entitled “Payment Obligations of the University” is not made when it becomes due and payable and if such amount remains unpaid for a period of two (2) days.

(2) If payment of any amount due under subparagraphs (c) or (d) under the Caption above entitled “Payment Obligations of the University” is not made when it becomes due and payable and if such amount remains unpaid for a period of two (2) days after receipt of the statement required under the Caption above entitled “Payment Obligations of the University”.

(3) If the University shall:

(A) admit in writing its inability to pay its debts generally as they become due,

(B) file a petition to be adjudicated a voluntary bankrupt in bankruptcy or a petition otherwise to take advantage of any state or federal bankruptcy or insolvency law,

(C) make an assignment for the benefit of its creditors or seek a composition with its creditors, or

(D) consent to the appointment of a receiver of itself, its fees or charges or the whole or any substantial part of Facility Z.

(4) If the University shall, upon an involuntary petition under any section or chapter of the federal bankruptcy laws filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing a trustee or receiver (interim or permanent) or appointing the University a debtor-in-possession, with or without the consent of the University, or approving a petition filed against it seeking reorganization or an arrangement of the University under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof.

(5) If final judgment for the payment of moneys that, in the judgment of the Authority, will adversely affect the rights of the holders of the Bonds shall be rendered against the University and, at any time after thirty (30) days from the entry thereof, (a) such judgment shall not have been discharged or (b) the University shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

(6) If the University defaults in the due and punctual performance of any other covenant in this Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given by the Authority or the Trustee.

(b) The Authority agrees that it shall notify the Trustee of the occurrence of an Event of Default under the Loan Agreement. The Authority and the University agree that, upon the occurrence of an Event of Default, the Authority may, by notice in writing to the University, declare all, including future, payments under the Loan Agreement to be immediately due and payable. At the expiration of ten (10) days from the giving of such notice of such declaration, such payments shall become and be immediately due and payable, anything in the Loan Agreement to the contrary notwithstanding. At any time after such payments shall have been so declared to be due and payable and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul such declaration and its consequences if moneys shall have accumulated in any fund created or held under the Resolution sufficient to pay all arrears of such payments under this Agreement, other than payments due only because of such declaration. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(c) The Authority and the University further agree that, upon the occurrence of an Event of Default, the Authority may exercise, with respect to any amount in any fund under the Resolution, all of the rights of a secured party under the New Jersey Uniform Commercial Code.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

by and between

THE TRUSTEES OF PRINCETON UNIVERSITY

and

THE BANK OF NEW YORK MELLON

Dated as of January 1, 2014

Entered into with respect to the
New Jersey Educational Facilities Authority
$200,000,000 Princeton University Revenue Bonds,
2014 Series A

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement"), made and entered into as of January 1, 2014, by and between THE TRUSTEES OF PRINCETON UNIVERSITY, a not-for-profit educational corporation duly incorporated and validly existing under the laws of the State of New Jersey (the "University"), and THE BANK OF NEW YORK MELLON, a state banking corporation duly created and validly existing under the laws of the State of New York (the "Dissemination Agent" and the "Trustee").

W I T N E S S E T H:

WHEREAS, New Jersey Educational Facilities Authority, a body corporate and politic with corporate succession, constituting a political subdivision organized and existing under and by virtue of the laws of the State of New Jersey (hereinafter referred to as the "Authority") is issuing its Princeton University Revenue Bonds, 2014 Series A, dated January 16, 2014, in the aggregate principal amount of $200,000,000 (the "Bonds");

WHEREAS, the Bonds are being issued pursuant to the Authority's Princeton University Revenue Bond Resolution, adopted by the Authority on February 16, 1999 (the "General Resolution"), and the 2014 Series A Series Resolution, adopted by the Authority on November 25, 2013 (the "Series Resolution"; and collectively with the General Resolution, the "Resolution");

WHEREAS, the University has entered into a Loan Agreement with the Authority dated as of January 1, 2014 (the "Loan Agreement") whereby the Authority has loaned a portion of the proceeds of the Bonds to the University to finance the 2014 Project (as defined in the Loan Agreement) and the University has agreed to repay the loan of such proceeds;

WHEREAS, the Trustee has duly accepted the trusts imposed upon it by the Resolution as Trustee for the holders from time to time of the Bonds;

WHEREAS, the Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified as of the date hereof at 15 U.S.C. 77 *et seq*.) (the "Securities Exchange Act"), has adopted amendments effective July 3, 1995 to its Rule 15c2-12 (codified at 17 C.F.R. §240.15c2-12), as the same may be further amended, supplemented and officially interpreted from time to time or any successor provision thereto ("Rule 15c2-12"), generally prohibiting a broker, dealer or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer 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 operating data and notices of the occurrence of certain material events to various information repositories;

WHEREAS, the Authority and the University have determined that the University is an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12 and, in order to enable a "participating underwriter" (as such term is defined in Rule 15c2-12) to purchase the Bonds, is therefore required to cause the delivery of the information described in this Agreement to the municipal securities marketplace for the period of time specified in this Agreement;

WHEREAS, the SEC has adopted amendments, effective July 1, 2009, to Rule 15c2-12 requiring that the annual financial information and operating data, notices of the occurrence of certain material events and notices of the failure to make a submission required by a continuing disclosure agreement be provided to the MSRB (as hereinafter defined) and not to the various information repositories, and requiring that such information be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB; and

WHEREAS, on January 8, 2014, the Authority accepted the bid of Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Participating Underwriter") for the purchase of the 2014 Series A Bonds;

WHEREAS, the execution and delivery of this Agreement have been duly authorized by the University and the Dissemination Agent, respectively, and all conditions, acts and things necessary and required to exist, to have happened or to have been performed precedent to and in the execution and delivery of this Agreement, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the University and the Dissemination Agent are entering into this Agreement for the benefit of the holders of the Bonds.

NOW, **THEREFORE**, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the University and the Dissemination Agent, each binding itself, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1. Terms Defined in Recitals. All of the terms defined in the preambles hereof shall have the respective meanings set forth therein for all purposes of this Agreement.

Section 1.2. Additional Definitions. The following additional terms shall have the meanings specified below:

"Annual Report" means Financial Statements and Operating Data provided at least annually.

"Bondholder" or "holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond, including holders of beneficial interests in the Bonds.

"Disclosure Event" means any event described in subsection 2.1(d) of this Agreement.

"Disclosure Event Notice" means the notice to the MSRB as provided in subsection 2.4(a) of this Agreement.

"Dissemination Agent" means The Bank of New York Mellon, acting in its capacity as Dissemination Agent under this Agreement, or any successor Dissemination Agent designated in writing by the University that has filed a written acceptance of such designation.

"EMMA" means Electronic Municipal Market Access system, or any other electronic municipal securities information access system of the MSRB.

"Final Official Statement" means the final Official Statement of the Authority dated January 8, 2014, pertaining to the Bonds.

"Financial Statements" means the statement of financial position, statement of activities, statement of cash flows or other statements that convey similar information of the University.

"Fiscal Year" means the fiscal year of the University. As of the date of this Agreement, the Fiscal Year of the University begins on July 1 of each calendar year and closes on June 30 of the next succeeding calendar year.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied.

"GAAS" means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to Rule 15c2-12. Effective July 1, 2009 and until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

"Operating Data" means the financial and statistical information of the University of the type included in the Final Official Statement in Appendix A thereto entitled "APPENDIX A - PRINCETON UNIVERSITY," a copy of which is attached hereto as **Exhibit A**.

"Prescribed Form" means such electronic format accompanied by such identifying information as shall be prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"State" means the State of New Jersey.

"Trustee" means The Bank of New York Mellon, acting in its capacity as Trustee for the Bonds under the Resolution, and its successors and assigns.

Section 1.3. Capitalized Terms Not Defined Herein. Capitalized terms used but not defined herein shall have the meanings assigned to them in Section 1.01 of the General Resolution, Section 1.01 of the Series Resolution or Section 1 of the Loan Agreement, as the case may be.

Section 1.4. Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Agreement. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms as used in this Agreement refer to this Agreement as a whole unless otherwise expressly stated. The disjunctive term "or" shall be interpreted conjunctively as required to insure that the University performs any obligations mentioned in the passage in which such term appears. The headings of this Agreement are for convenience only and shall not define or limit the provisions hereof.

ARTICLE 2

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1. Continuing Disclosure Covenants of University. The University agrees that it will provide, until such time as the University instructs the Dissemination Agent to provide, at which time the Dissemination Agent shall provide:

(a) Not later than one hundred eighty (180) days after the ending of each Fiscal Year, commencing with the Fiscal Year of the University ended June 30, 2014, an Annual Report to the MSRB, to the Trustee and to the Authority.

(b) Not later than fifteen (15) days prior to the date specified in subsection 2.1(a) hereof, a copy of the Annual Report to the Trustee and the Dissemination Agent.

(c) If not submitted as part of the Annual Report, then when and if available, to the MSRB, to the Trustee and to the Authority, audited Financial Statements for the University.

(d) In a timely manner, but not in excess of ten (10) business days after the occurrence of the event, to the MSRB, to the Trustee and to the Authority, notice, in Prescribed Form, of any of the following events with respect to the Bonds (each a "Disclosure Event"):

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on the debt service reserve fund 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 the Bonds;

(vii) Modifications to rights of holders of the Bonds, if material;

(viii) Bond calls, if material, (other than regularly scheduled mandatory sinking fund redemptions) 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 University;

(xiii) The consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, 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; or

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

For the purposes of the event identified in subparagraph (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the University in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the University, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University.

(e) In a timely manner, to the MSRB, to the Trustee and to the Authority, notice of a failure by the University to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2. Continuing Disclosure Representations. The University represents and warrants that:

(a) Financial Statements shall be prepared in accordance with GAAP.

(b) Any Financial Statements that are audited shall be audited by independent accountants (currently PricewaterhouseCoopers LLP, New York, New York) in accordance with GAAS.

Section 2.3. Form of Annual Report. (a) The Annual Report may be submitted as a single document or as separate documents comprising a package, provided that each document shall be submitted in Prescribed Form.

(b) Any or all of the items that must be included in the Annual Report may be incorporated by reference from other documents, including official statements delivered in connection with other financings issued on behalf of the University or related public entities which are available to the public on the MSRB's Internet Website or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB, through EMMA. The University shall clearly identify each such other document so incorporated by reference.

(c) The Annual Report for any Fiscal Year containing any modified Operating Data or financial information (as contemplated by Sections 4.9 and 4.10 hereof) for such Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Fiscal Year.

Section 2.4. Responsibilities and Duties of Dissemination Agent. (a) If the University or the Dissemination Agent has determined it necessary to report the occurrence of a Disclosure Event, the University or Dissemination Agent shall file promptly a notice of such occurrence with the MSRB (the "Disclosure Event Notice"), in the form provided by the University. The obligations of the University or the Dissemination Agent (if engaged by the University) to provide the notices to the MSRB under this Agreement are in addition to, and not in substitution of, any of the obligations of the Trustee to provide notices of events of default to holders under Section 7.11 of the General Resolution. The University or the Dissemination Agent (if engaged by the University) shall file a copy of each Disclosure Event Notice with the Authority and the Trustee (for informational purposes only).

(b) The Dissemination Agent shall (if instructed by the University to make the required filings pursuant to Section 2.1 hereof) file a written report with the University and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided to the MSRB.

Section 2.5. Appointment, Removal and Resignation of Dissemination Agent; Indemnification.

(a) The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and it may discharge any such Dissemination Agent and appoint a successor Dissemination Agent, such discharge to be effective on the date of the appointment of a successor Dissemination Agent.

(b) The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Agreement, and the University agrees to indemnify and hold the Dissemination Agent and its officers, directors, employees and agents harmless against any loss, expense or liability it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liability due to the Dissemination Agent's negligence or willful misconduct. The obligations of the University under this Section 2.5(b) shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the University and the Authority. Such resignation shall take effect on the date specified in such notice.

Section 2.6. Responsibilities, Duties, Immunities and Liabilities of Trustee. Article VI of the General Resolution, Section 2.16 of the Series Resolution and Section 27 of the Loan Agreement are each hereby made applicable to this Agreement as if the duties of the Trustee hereunder were (solely for this purpose) set forth in the General Resolution, the Series Resolution and the Loan Agreement, respectively.

ARTICLE 3

DEFAULTS AND REMEDIES

Section 3.1. Disclosure Default. The occurrence and continuation of a failure by the University to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Agreement and such failure shall remain uncured for a period of thirty (30) days after written notice thereof has been given to the University by the Trustee or any Bondholder shall constitute a disclosure default hereunder.

Section 3.2. Remedies on Default. (a) The Trustee may (and shall, at the request of any Participating Underwriter or the holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds, after provision of indemnity in accordance with Section 6.02 of the General Resolution), or any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may, take whatever action at law or in equity is necessary or desirable against the University and any of its officers, agents and employees to enforce the specific performance and observance of any obligation, agreement or covenant of the University hereunder and may compel the University or any such officers, agents or employees, except for the Dissemination Agent, to perform and carry out their duties hereunder; *provided*, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case the Trustee or any Bondholder shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Bondholder, as the case may be, then and in every such case the University, the Trustee and any Bondholder, as the case may be, shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the University, the Trustee and any Bondholder shall continue as though no such proceedings had been taken.

(c) A default under this Agreement shall not be deemed an event of default under either the Resolution or the Loan Agreement, and the sole remedy under this Agreement in the event of any failure by the University to comply with this Agreement shall be as set forth in Section 3.2(a) hereof.

ARTICLE 4

MISCELLANEOUS

Section 4.1. Purpose of Agreement. This Agreement is being executed and delivered by the University and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2. Third-Party Beneficiaries; Authority and Bondholders. (a) The Authority is hereby recognized as being a third-party beneficiary hereunder, and may enforce any such right, remedy or claim conferred, given or granted hereunder in favor of the Dissemination Agent or the Bondholders.

(b) Each Bondholder is hereby recognized as being a third-party beneficiary hereunder, and each may enforce, for the equal benefit and protection of all Bondholders similarly situated, any such right, remedy or claim conferred, given or granted hereunder in favor of the Dissemination Agent.

Section 4.3. No Recourse to Authority; Indemnified Parties. No recourse shall be had for the performance of any obligation, agreement or covenant of the University or the Dissemination Agent hereunder against the Authority or against any member, official, employee, counsel, consultant or agent of the Authority or any person executing the Bonds.

The University agrees to indemnify and hold harmless the Authority, any member, officer, official, employee, counsel, consultant or agent of the Authority, including the Dissemination Agent, each Participating Underwriter, and each person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management and policies of each (collectively, the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by the University's failure to perform or observe any of its obligations, agreements or covenants under the terms of this Agreement, but only if and insofar as such losses, claims, damages, liabilities or expenses are caused by any such failure of the University to perform hereunder. In case any action shall be brought against the Indemnified Parties based upon this Agreement and in respect of which indemnity may be sought against the University, the Indemnified Parties shall promptly notify the University in writing. Upon receipt of such notification, the University shall promptly assume the defense of such action, including the retention of counsel, the payment of all expenses in connection with such action and the right to negotiate and settle any such action on behalf of such Indemnified Parties. Any Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the sole expense of such Indemnified Party, unless the employment of such counsel has been specifically authorized by the University or unless by reason of conflict of interest (determined by the written opinion of counsel to any Indemnified Party) it is advisable for such Indemnified Party to be represented by separate counsel, in which case the fees and expenses of such separate counsel shall be borne by the University. The University shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the University or if there be a final judgment for the plaintiff in any such action with or without written consent, the University agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Nothing in this Section 4.3 shall require or obligate the University to indemnify or hold harmless the Indemnified Parties from or against any loss, claim, damage, liability or expense caused by any gross negligence or intentional misconduct on the part of the Indemnified Parties in connection with the University's performance of its obligations, agreements and covenants hereunder.

Section 4.4. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from (a) disseminating any other information using the means of dissemination set forth in this Agreement or any other means of communication, or (b) including, in addition to that which is required by this Agreement, any other information in any Annual Report or any Disclosure Event Notice. If the University chooses to include any information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Agreement, the University shall not have any obligation under this Agreement to update such information or to include it in any future Annual Report or any future Disclosure Event Notice. The University shall reimburse the Dissemination Agent for any expenses incurred by the Dissemination Agent in providing such additional information pursuant to this Section 4.4.

Section 4.5. **Notices.** All notices required to be given or authorized to be given by either party pursuant to this Agreement shall be in writing and shall be sent by registered or certified mail (as well as by facsimile, in the case of the Dissemination Agent) to, in the case of the University, the Treasurer of the University, P.O. Box 35, Princeton, New Jersey 08543 (facsimile: (609) 258-0442); and in the case of the Dissemination Agent, its corporate trust office at 385 Rifle Camp Road, Corporate Trust Department, Woodland Park, New Jersey 07424 (facsimile: (973) 357-7840), with a copy to the Authority, addressed to it at its offices at 103 College Road East, Princeton, New Jersey 08540-6612 (facsimile: (609) 987-0850).

Section 4.6. **Assignments.** This Agreement may not be assigned by either party hereto without the written consent of the other and, as a condition to any such assignment, only upon the assumption in writing of all of the obligations imposed upon such party by this Agreement.

Section 4.7. **Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

Section 4.8. **Execution of Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. Both parties hereto may sign the same counterpart or each party hereto may sign a separate counterpart.

Section 4.9. **Amendments, Changes and Modifications.** (a) Except as otherwise provided in this Agreement, subsequent to the initial issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Resolution), this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Dissemination Agent.

(b) Without the consent of any Bondholders, the University and the Dissemination Agent at any time and from time to time may enter into any amendments or modifications to this Agreement for any of the following purposes:

(i) to add to the covenants and agreements of the University hereunder for the benefit of the Bondholders or to surrender any right or power conferred upon the University by this Agreement;

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices or legal requirements followed by or applicable to the University, to reflect changes in the identity, nature or status of the University or in the business, structure or operations of the University, or to reflect any mergers, consolidations, acquisitions or dispositions made by or affecting the University; *provided*, that any such modification shall not be in contravention of Rule 15c2-12 as then in effect at the time of such modification; or

(iii) to cure any ambiguity herein, to correct or supplement any provision hereof that may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Agreement, any of which, in each case, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12 as well as any changes in circumstances;

provided, that prior to approving any such amendment or modification, the University determines that such amendment or modification does not adversely affect the interests of the Bondholders in any material respect.

(c) Upon entering into any amendment or modification required or permitted by this Agreement, the University shall deliver, or cause the Dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(d) The University and the Dissemination Agent shall be entitled to rely exclusively upon an opinion of Bond Counsel to the Authority to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.9.

Section 4.10. Amendments Required by Rule 15c2-12. The University and the Dissemination Agent each recognize that the provisions of this Agreement are intended to enable compliance with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof or the promulgation of a successor rule, statute or regulation thereto, a change in this Agreement shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery of an opinion of Bond Counsel to the Authority addressed to the University and the Dissemination Agent to the effect that such amendments shall be permitted or necessary to assure continued compliance with Rule 15c2-12 as so amended or interpreted, then the University and the Dissemination Agent shall amend this Agreement to comply with and be bound by any such amendment to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and shall provide written notice of such amendment as required by Section 4.9(c) hereof.

Section 4.11. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the laws of the State and the laws of the United States of America, as applicable. The University and the Dissemination Agent agree that the University or the Authority may be sued only in a court in the County of Mercer in the State of New Jersey.

Section 4.12. Termination of University's Continuing Disclosure Obligations. The continuing obligation of the University under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of this Agreement shall terminate if and when either (i) the Bonds are no longer Outstanding in accordance with the terms of the Resolution or (ii) the University no longer remains an "obligated person" (as such term is defined in Rule 15c2-12) with respect to the Bonds, and, in either event, only after the University delivers, or causes the Dissemination Agent to deliver, written notice to such effect to the MSRB. This Agreement shall be in full force and effect from the date of issuance of the Bonds and shall continue in effect until the date the Bonds are no longer Outstanding in accordance with the terms of the Resolution; *provided*, *however*, that the indemnification provisions set forth in Sections 2.5(b), 2.6 and 4.3 hereof shall survive the termination of this Agreement.

Section 4.13. Prior Undertakings. Except as otherwise disclosed in the Final Official Statement, the University has not failed to comply in any material respect with any prior continuing disclosure undertaking made by it in accordance with Rule 15c2-12.

Section 4.14 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the University and the Dissemination Agent and their respective successors and assigns.

Section 4.15. Headings for Convenience Only. The descriptive headings in this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, THE TRUSTEES OF PRINCETON UNIVERSITY and **THE BANK OF NEW YORK MELLON** have caused this Agreement to be executed in their respective names and attested by their duly authorized officers, all as of the date first above written.

ATTEST:

____
Robert K. Durkee
Vice President and Secretary

THE TRUSTEES OF PRINCETON UNIVERSITY

By:________________________
Carolyn N. Ainslie
Vice President for Finance and Treasurer

ATTEST:

____
Name:
Title:

THE BANK OF NEW YORK MELLON

By:________________________
Frank Gallagher
Vice President

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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[Form of Approving Opinion of McCarter & English, LLP]

[Date of Closing]

New Jersey Educational Facilities Authority
103 College Road East
Princeton, New Jersey 08540

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of $200,000,000 Princeton University Revenue Bonds, 2014 Series A (the “Bonds”), of the New Jersey Educational Facilities Authority (the “Authority”). The Authority is a public body corporate and politic with corporate succession, constituting a political subdivision of the State of New Jersey, created pursuant to the New Jersey Educational Facilities Authority Law, constituting Chapter 271 of the Laws of 1967, as amended and supplemented (the “Act”).

The Bonds are being issued pursuant to the Act, the Authority’s Princeton University Revenue Bond Resolution, adopted on February 16, 1999, as amended and supplemented, and the Authority’s 2014 Series A Series Resolution, adopted on November 25, 2013 (said resolutions being collectively referred to herein as the “Resolution”). The Bonds are dated, mature, bear interest and are subject to redemption prior to maturity upon the terms and conditions stated therein and in the Resolution.

In our capacity as Bond Counsel to the Authority, we have examined the Act and proceedings related to the authorization and issuance of the Bonds including, among other things: (i) a certified copy of the Resolution; (ii) an executed copy of the Loan Agreement dated as of January 1, 2014 (the “Agreement”) by and between the Authority and The Trustees of Princeton University (the “University”), whereby the Authority has made a loan to the University to finance the 2014 Project (as defined in the Agreement); (iii) an executed Bond; (iv) the Tax Letter of Representation of the University dated the date hereof, on which we have relied in expressing the opinion set forth in the following paragraph 5; (v) such matters of law, including *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the “Code”); (vi) various certificates executed by the Authority and the University, including a certificate pursuant to Section 148 of the code; and (vii) such other opinions, agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have also examined and relied upon the opinions of even date herewith of Ballard Spahr LLP, Counsel to the University and Peter G. McDonough, Esq., General Counsel to the University, as to certain matters concerning the University.

For the purposes of rendering the opinions set forth below, we have assumed, with your permission: (i) the accuracy and genuineness of all representations made by the Authority in the Agreement; (ii) the proper authorization and due execution and delivery by, and enforceability against, all parties, other than the Authority, of the documents and other instruments we have examined: (iii) the genuineness of the signatures of all persons (other than the officers of the Authority on the Agreement); (iv) the authenticity of all documents submitted to us purporting to be originals; (v) the conformity with the originals of all documents submitted to us as copies and (vi) the legal capacity of all natural persons. We have relied upon said instruments, certificates and documents for any facts material to our opinion, which were not independently established.

The Code imposes certain requirements that must be met on the date of issuance of the Bonds and on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Authority or the University to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Authority and the University have each made representations in their respective tax certificates for the Bonds. In addition, the

Authority and the University have covenanted (i) to comply with the provisions of the Code applicable to the Bonds and (ii) not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code or to be treated as an item of tax preference under Section 57 of the Code. We have relied upon the representations made in the tax certificates of the Authority and the University and have assumed continuing compliance by the Authority and the University with the above covenants in rendering our federal income tax opinion with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

Based upon and subject to the foregoing and the assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is a duly created and validly existing public body corporate and politic constituting a political subdivision of the State of New Jersey created pursuant to the Act, and has the right, power and authority under the Act to adopt the Resolution, to enter into the Agreement and to issue the Bonds.

2. The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority, and is enforceable in accordance with its terms. The Resolution creates the valid pledge of and lien upon the revenues that it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The Bonds have been duly and validly issued and constitute valid and legally binding, special and limited obligations of the Authority, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Act and the Resolution. The Bonds are payable from and secured by a valid and enforceable pledge of and lien upon the revenues of the Authority derived from payments made by the University under the Agreement, under existing loan agreements relating to the financing of facilities for the University with parity bonds, and under subsequent loan agreements relating to the financing of future eligible facilities for the University with additional parity bonds, all as more particularly provided in the Resolution.

4. The Agreement has been duly authorized pursuant to law, has been properly executed by the parties thereto and constitutes a valid and legally binding agreement between the Authority and the University, enforceable against the Authority in accordance with its terms.

5. We are further of the opinion that based upon existing law, interest on the 2014 Series A Bonds is excluded from the gross income of the owners of the 2014 Series A 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 2014 Series A Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

6. Based upon 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, the Resolution and the Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America 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 opinions or to any laws or judicial decisions hereafter enacted or rendered.

Our engagement by the Authority 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 any laws or judicial decisions hereafter enacted or rendered that impact on this opinion letter.

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

This opinion letter is being furnished solely to the party to whom it is addressed and may not be relied upon by any other person (other than Bondholders) without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Notwithstanding anything to the contrary contained herein, the undersigned acknowledges that this opinion is a government record subject to release under the Open Public Records Act (N.J.S.A. 47:1A-1 et seq.).

Very truly yours,