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 2008 Series J 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 2008 Series J Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the 2008 Series J Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act. In the case of certain corporate holders of the 2008 Series J Bonds, interest on the 2008 Series J Bonds will be included in the calculation of the federal alternative minimum tax as a result of the inclusion of interest on the 2008 Series J Bonds in “adjusted current earnings”. See “TAX EXEMPTION” herein.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

$250,000,000 PRINCETON UNIVERSITY REVENUE BONDS, 2008 SERIES J

Dated: Date of Delivery
Due: July 1, as shown on the inside cover hereof.

The New Jersey Educational Facilities Authority’s (the “Authority”) Princeton University Revenue Bonds, 2008 Series J (the “2008 Series J Bonds”) will be issued 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 2008 Series J 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 2008 Series J Bonds purchased. So long as DTC or its nominee is the registered owner of the 2008 Series J Bonds, payments of the principal and redemption premium, if any, of and interest on the 2008 Series J 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 2008 Series J Bonds is the responsibility of the Direct Participants and the Indirect Participants. See “DESCRIPTION OF THE 2008 SERIES J BONDS - Book-Entry Only System” herein. The Bank of New York Mellon, West Paterson, New Jersey, shall act as Trustee, Registrar and Paying Agent for the 2008 Series J Bonds. The 2008 Series J Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity, as more fully described herein.

The 2008 Series J 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 2008 Series J Series Resolution adopted by the Authority on July 23, 2008 (the “2008 Series J Series Resolution” and together with the General Resolution, the “Resolution”). The 2008 Series J 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, and (ii) pay a portion of certain costs incidental to the sale and issuance of the 2008 Series J Bonds. See “PLAN OF FINANCE” herein. The Authority and the University will enter into a Loan Agreement dated as of September 1, 2008 with respect to such loan.


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 2008 Series J 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. The 2008 Series J Bonds are expected to be available for delivery to DTC in New York, New York, on or about September 25, 2008.

Wachovia Bank, National Association

Dated: September 10, 2008
**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**

**$250,000,000 Princeton University Revenue Bonds, 2008 Series J**

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Interest Yield</th>
<th>CUSIP No.**</th>
<th>Due Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Interest Yield</th>
<th>CUSIP No.**</th>
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<tbody>
<tr>
<td>2010</td>
<td>$4,410,000</td>
<td>5.000%</td>
<td>2.000%</td>
<td>646065UM2</td>
<td>2021</td>
<td>$7,195,000</td>
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<td>4.000%</td>
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<td>2011</td>
<td>4,590,000</td>
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<td>2.240</td>
<td>646065UN0</td>
<td>2022</td>
<td>7,475,000</td>
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<td>4.090</td>
<td>646065UZ3</td>
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<td>2.450</td>
<td>646065UP5</td>
<td>2023</td>
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<td>646065VA7</td>
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<tr>
<td>2013</td>
<td>4,965,000</td>
<td>5.000%</td>
<td>2.640</td>
<td>646065UQ3</td>
<td>2024</td>
<td>8,095,000</td>
<td>5.000%</td>
<td>4.050*</td>
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<td>2025</td>
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<td>8,795,000</td>
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<td>2016</td>
<td>5,635,000</td>
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<td>3.140</td>
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<td>2017</td>
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<td>5.000%</td>
<td>3.300</td>
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<td>2028</td>
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<td>2018</td>
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<td>646065VJ8</td>
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*$48,845,000 4.500% Term Bonds Due July 1, 2035, yield 4.620% CUSIP No. 646065VK5**

*$42,885,000 4.500% Term Bonds Due July 1, 2038, yield 4.650% CUSIP No. 646065VL3**

* Yield to first optional par call date of July 1, 2018.

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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 2008 SERIES J BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesman 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J Bonds and the security therefor, including an analysis of the risk involved. The 2008 Series J Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the 2008 Series J Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the 2008 Series J 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 2008 Series J 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 2008 Series J 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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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 $250,000,000 New Jersey Educational Facilities Authority, Princeton University Revenue Bonds, 2008 Series J (the “2008 Series J 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 2008 Series J Series Resolution adopted by the Authority on July 23, 2008 (the “2008 Series J Series Resolution”) (the General Resolution and the 2008 Series J 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 2008 Series J Bonds.

Authority for Issuance

The 2008 Series J 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” and “APPENDIX B - REPORT OF THE TREASURER OF PRINCETON UNIVERSITY AS OF JUNE 30, 2007” hereto.

Purpose

The 2008 Series J 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 purchase of capital equipment for academic departments and administrative and supporting units, and (C) the construction of academic, administrative and/or student related capital facilities (collectively, “Facility W” or the “2008 Project”); and (ii) pay certain costs incidental to the sale and issuance of the 2008 Series J Bonds, including deposits to certain funds created under the Resolution. See “PLAN OF FINANCE” herein.
Security

The 2008 Series J Bonds will be issued on parity with those of the Authority’s Princeton University Revenue Bonds, 1999 Series A, 1999 Series B, 2000 Series E, 2000 Series H, 2001 Series B, 2002 Series B, 2003 Series D, 2003 Series E, 2003 Series F, 2004 Series D, 2005 Series A, 2005 Series B, 2006 Series D, 2006 Series E, 2007 Series E, and 2007 Series F heretofore issued under the General Resolution to finance certain facilities of the University and which will remain outstanding after the issuance of the 2008 Series J Bonds (the “Outstanding Parity Bonds”) and any Additional Parity Bonds that may hereafter be issued under the General Resolution (the “Additional Parity Bonds”). The 2008 Series J 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 September 1, 2008 (the “Loan Agreement”), by and between the Authority and the University relating to the 2008 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 2008 Series J 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 2008 SERIES J BONDS” herein.


Facility W

Facility W 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; (iii) the purchase of capital equipment for academic departments and administrative and supporting units; and (iv) the undertaking of several new construction projects. See “FACILITY W” 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 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:

Vivian Altman, Chair; term as member expired April 30, 2008; Summit.

Roger B. Jacobs, Esq., term as member expired April 30, 2007; Partner, Jacobs Rosenberg, LLC; West Orange.

Felice K. Vazquez; term as member expires April 30, 2009; Weiner, Lesniak, LLP; Elizabeth.

The Honorable R. David Rousseau, Treasurer, State of New Jersey, *ex officio*.

Laurence M. Downes, Chair, New Jersey Commission on Higher Education, *ex officio*.

Roger L. Anderson, Executive Director, serves as the Secretary to the Authority.

Barbara L. Cannon, Deputy Executive Director, serves as an Assistant Secretary to the Authority.

Mary Jane Darby, Director of Project Management, serves as an Assistant Secretary to the Authority.

There are currently two vacancies on the Authority.

**Outstanding Obligations of the Authority**

As of July 1, 2008, the Authority has heretofore authorized and issued its obligations in a total outstanding amount of $4,851,347,049 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.

**NEW JERSEY COMMISSION ON HIGHER EDUCATION**

The New Jersey Commission on Higher Education (the “Commission”) was duly created by the Higher Education Restructuring Act of 1994, P.L. 1994, c. 48 (as amended) (*N.J.S.A. 18A:3B-1 et seq.*), as an independent commission in, but not of, the New Jersey Department of State. The Commission consists of eleven members: six public members to be appointed by the Governor with the advice and consent of the Senate without regard for political affiliation; two public members to be appointed by the Governor, one upon the recommendation of the President of the Senate and one upon the recommendation of the Speaker of the General Assembly; the chairperson of the New Jersey Presidents’ Council, *ex officio*; one faculty member from an institution of higher education to be appointed by the Governor with the advice and consent of the Senate; and the chairperson of the Board of the Higher
Education Student Assistance Authority, *ex officio*, or a designee from the public members of the Higher Education
Student Assistance Authority.

The Commission is responsible for, among other things, (i) Statewide planning, including research on
higher education issues and the development of a comprehensive master plan; (ii) advocacy on behalf of higher
education; (iii) making recommendations to the Governor and the State Legislature on higher education initiatives
and incentives programs of Statewide significance; (iv) final administrative decisions over institutional licensure and
university status; (v) final administrative decisions on academic programs that go beyond the programmatic mission
of an institution; and (vi) reviewing budget requests from the institutions in relation to their Statewide goals, and
proposing a coordinated budget policy statement to the Governor and the State Legislature.

The Chair of the Commission has the power of visitation at public institutions at the request of the
Governor.

**DESCRIPTION OF THE 2008 SERIES J BONDS**

**General**

The 2008 Series J Bonds will be issued in the aggregate principal amount of $250,000,000. The 2008
Series J 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 2008 Series J 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 2008 Series J
Bonds will be payable initially on January 1, 2009 and semiannually thereafter on each July 1 and January 1.

**Book-Entry Only System**

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the
2008 Series J Bonds. The 2008 Series J 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 2008 Series J Bond certificate will be issued for each stated maturity of the 2008
Series J 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 2.2 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are
on file with the Securities and Exchange Commission.
Purchases of 2008 Series J Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Series J Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2008 Series J 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 2008 Series J 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 2008 Series J Bonds, except in the event that use of the book-entry system for the 2008 Series J Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Series J 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 2008 Series J 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 2008 Series J Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2008 Series J 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 2008 Series J Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2008 Series J Bonds, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2008 Series J Bonds may wish to ascertain that the nominee holding the 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J Bonds are credited, identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, and principal and interest payments on the 2008 Series J 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 2008 Series J 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 2008 Series J Bonds are payable to DTC by the Trustee.

Redemption Provisions

Optional Redemption. The 2008 Series J Bonds maturing on or before July 1, 2018 are not subject to optional redemption prior to their stated maturities. The 2008 Series J Bonds maturing on or after July 1, 2019 are subject to redemption prior to their stated maturities on or after July 1, 2018 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 2008 Series J Bonds Outstanding of any maturity shall be called for redemption, such 2008 Series J 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.

Mandatory Sinking Fund Redemption.

The 2008 Series J Bonds maturing on July 1, 2035 and July 1, 2038 shall be retired by Sinking Fund Installments as hereinafter described, which shall be accumulated in the Sinking Fund Account, at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date, from moneys deposited in the Sinking Fund Account established for the 2008 Series J Bonds within the Debt Service Fund established under the 2008 Series J Series Resolution. The Sinking Fund Installments shall be sufficient to redeem the principal amount of such 2008 Series J Bonds on July 1 in each of the years and in the principal amounts as follows:

### 2008 Series J Bonds Maturing July 1, 2035

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2032</td>
<td>$11,405,000</td>
</tr>
<tr>
<td>2033</td>
<td>11,925,000</td>
</tr>
<tr>
<td>2034</td>
<td>12,470,000</td>
</tr>
<tr>
<td>2035*</td>
<td>13,045,000</td>
</tr>
</tbody>
</table>

*Final Maturity

### 2008 Series J Bonds Maturing July 1, 2038

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2036</td>
<td>$13,650,000</td>
</tr>
<tr>
<td>2037</td>
<td>14,285,000</td>
</tr>
<tr>
<td>2038*</td>
<td>14,950,000</td>
</tr>
</tbody>
</table>

*Final Maturity
The principal amount of the 2008 Series J Bonds otherwise required to be redeemed may be reduced by the principal amount of such 2008 Series J Bonds (i) theretofore delivered to the Trustee by the Authority in lieu of cash payments under the Loan Agreement or purchased by the Trustee out of moneys in the Sinking Fund Account in the Debt Service Fund established under the 2008 Series J Series Resolution that have not theretofore been applied as a credit against any sinking fund installment or (ii) otherwise optionally redeemed by the Authority and applied as a credit against a particular sinking fund installment.

Redemption of any of the 2008 Series J 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 2008 Series J 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 2008 Series J Bonds. If less than all of the 2008 Series J 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 2008 Series J Bonds, the transfer provisions and notice of redemption provisions applicable to the 2008 Series J Bonds will be adjusted pursuant to the Resolution.

Negotiable Instruments

The 2008 Series J 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 2008 Series J 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 the 2008 Series J Bonds, and the total of all of such principal and interest. In accordance with the Resolution, the principal and interest requirements 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.
<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$4,410,000</td>
<td>$8,710,229</td>
<td>$101,572,263</td>
</tr>
<tr>
<td>2010</td>
<td>$4,590,000</td>
<td>$11,140,669</td>
<td>$108,641,233</td>
</tr>
<tr>
<td>2011</td>
<td>$4,770,000</td>
<td>$10,957,069</td>
<td>$108,227,660</td>
</tr>
<tr>
<td>2012</td>
<td>$4,965,000</td>
<td>$10,766,269</td>
<td>$108,134,795</td>
</tr>
<tr>
<td>2013</td>
<td>$5,160,000</td>
<td>$10,518,019</td>
<td>$108,064,463</td>
</tr>
<tr>
<td>2014</td>
<td>$5,370,000</td>
<td>$10,260,199</td>
<td>$108,080,288</td>
</tr>
<tr>
<td>2015</td>
<td>$5,635,000</td>
<td>$9,991,519</td>
<td>$108,042,660</td>
</tr>
<tr>
<td>2016</td>
<td>$5,920,000</td>
<td>$9,709,769</td>
<td>$108,112,958</td>
</tr>
<tr>
<td>2017</td>
<td>$6,215,000</td>
<td>$9,413,769</td>
<td>$108,148,631</td>
</tr>
<tr>
<td>2018</td>
<td>$6,525,000</td>
<td>$9,103,019</td>
<td>$107,489,113</td>
</tr>
<tr>
<td>2019</td>
<td>$6,850,000</td>
<td>$8,776,769</td>
<td>$103,874,267</td>
</tr>
<tr>
<td>2020</td>
<td>$7,195,000</td>
<td>$8,434,269</td>
<td>$99,747,810</td>
</tr>
<tr>
<td>2021</td>
<td>$7,475,000</td>
<td>$8,146,469</td>
<td>$92,017,513</td>
</tr>
<tr>
<td>2022</td>
<td>$7,775,000</td>
<td>$7,847,469</td>
<td>$84,009,825</td>
</tr>
<tr>
<td>2023</td>
<td>$8,095,000</td>
<td>$7,536,469</td>
<td>$78,995,075</td>
</tr>
<tr>
<td>2024</td>
<td>$8,435,000</td>
<td>$7,131,719</td>
<td>$77,634,825</td>
</tr>
<tr>
<td>2025</td>
<td>$8,795,000</td>
<td>$6,709,969</td>
<td>$77,102,913</td>
</tr>
<tr>
<td>2026</td>
<td>$9,175,000</td>
<td>$6,336,181</td>
<td>$77,320,825</td>
</tr>
<tr>
<td>2027</td>
<td>$9,570,000</td>
<td>$5,946,244</td>
<td>$77,373,100</td>
</tr>
<tr>
<td>2028</td>
<td>$9,995,000</td>
<td>$5,539,519</td>
<td>$76,755,063</td>
</tr>
<tr>
<td>2029</td>
<td>$10,440,000</td>
<td>$5,102,238</td>
<td>$54,449,138</td>
</tr>
<tr>
<td>2030</td>
<td>$10,910,000</td>
<td>$4,632,438</td>
<td>$47,927,263</td>
</tr>
<tr>
<td>2031</td>
<td>$11,405,000</td>
<td>$4,127,850</td>
<td>$42,806,988</td>
</tr>
<tr>
<td>2032</td>
<td>$11,925,000</td>
<td>$3,614,625</td>
<td>$42,810,800</td>
</tr>
<tr>
<td>2033</td>
<td>$12,470,000</td>
<td>$3,078,000</td>
<td>$42,817,088</td>
</tr>
<tr>
<td>2034</td>
<td>$13,045,000</td>
<td>$2,516,850</td>
<td>$42,837,400</td>
</tr>
<tr>
<td>2035</td>
<td>$13,650,000</td>
<td>$1,929,825</td>
<td>$35,880,500</td>
</tr>
<tr>
<td>2036</td>
<td>$14,285,000</td>
<td>$1,315,575</td>
<td>$35,899,700</td>
</tr>
<tr>
<td>2037</td>
<td>$14,950,000</td>
<td>$672,750</td>
<td>$15,622,750</td>
</tr>
<tr>
<td>2038</td>
<td>$14,950,000</td>
<td>$672,750</td>
<td>$15,622,750</td>
</tr>
</tbody>
</table>

**Total** | $1,920,683,885 | $250,000,000 | $211,326,742 | $2,382,010,627

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1 With respect to principal and interest payments by the University, 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 as paid on July 1 of the following period.

2 Includes the 1999 Series A Bonds, the 1999 Series B Bonds, the 2000 Series E Bonds, the 2000 Series H Bonds, the 2001 Series B Bonds, the 2002 Series B Bonds, the 2003 Series D Bonds, the 2003 Series E Bonds, the 2003 Series F Bonds, the 2004 Series D Bonds, the 2005 Series A Bond, the 2005 Series B Bonds, the 2006 Series D Bonds the 2006 Series E Bonds, the 2007 Series E Bonds and the 2007 Series F Bonds. Interest on the 2001 Series B Bonds, the 2002 Series B Bonds and the 2003 Series F Bonds is estimated at 4.5%, 5.0% and 3%, respectively. The annual principal amounts to be paid for each of these series were based upon the respective interest rates, assuming a level debt service repayment schedule. Such annual principal amounts will not change as a result of the actual interest rates incurred. No assurance can be given that the actual interest rates for these series will approximate the assumed interest rates.

3 Does not include the University’s portion of the Authority’s Capital Improvement Fund, Dormitory Safety Fund or Equipment Leasing Fund, which are not part of the General Resolution, or other Third Party Debt. See Appendix A - “Princeton University – Third Party Debt” herein.
PLAN OF FINANCE

The 2008 Series J 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, and (ii) pay a portion of certain costs incidental to the sale and issuance of the 2008 Series J Bonds, including deposits to certain funds created under the Resolution.

FACILITY W

Description

Facility W 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; (iii) the purchase of capital equipment for academic departments and administrative and supporting units; and (iv) the undertaking of several new construction projects.

(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, each project of which normally costs over $100,000 and has a useful life of more than one year. Such projects include, but are not limited to, (a) repair and replacement of utility systems, including steam, chilled water, electricity and water and sewer systems, (b) energy conservation projects, such as the installation of storm windows and insulation, the installation of more sophisticated energy control systems, and the use of non-traditional energy technologies such as solar energy, (c) plant preservation projects, including, but not limited to, repair of exterior structures and roofs, repair or replacement of heating, plumbing or wiring systems in various University buildings, repair of woodwork and repair or replacement of University roads and parking lots, (d) code conformance projects designed to bring the University into conformance with federal, State and local requirements on building access and safety, and (e) a modest amount for building improvements designed mainly to adapt existing facilities for new uses. The University expects to spend approximately $21,400,308 on such projects between April 2008 and September 2010.

(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 $86,316,954 on such projects between April 2008 and September 2010.

(iii) Capital Equipment. The University defines capital equipment as any piece of equipment costing at least $5,000 and having a useful life of more than one year. The University expects to spend approximately $8,852,536 on such equipment during fiscal year 2009 for a variety of equipment items, including (a) scientific equipment for research and instruction in the natural sciences and engineering, (b) computer terminals and microprocessors for a variety of applications, including word processing, (c) office equipment, and (d) special-purpose equipment for various supporting services such as the Maintenance Department, Dining Services and Health Services.

(iv) 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 $137,183,982 on such projects between April 2008 and September 2010.
Estimated Costs

Major Maintenance $ 21,400,308
Renovations 86,316,954
Capital Equipment 8,852,536
Construction 137,183,982
TOTAL FACILITY W $253,753,780

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2008 Series J Bonds will be applied approximately as follows:

Sources:

- Principal Amount of 2008 Series J Bonds $250,000,000.00
- Net Original Issue Premium 4,564,399.30
- University Contribution for Costs of Issuance 225,125.00
- TOTAL SOURCES $254,789,524.30

Uses:

- Deposit to Construction Fund $253,753,780.55
- Underwriter’s Discount 810,618.75
- Costs of Issuance Expenses 1 225,125.00
- TOTAL USES $254,789,524.30

1 Includes fees and expenses of Bond Counsel, the Trustee, the Authority’s financial advisor and other associated issuance costs.

SECURITY FOR 2008 SERIES J BONDS

General

The 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J Bonds, to provide or cause a dissemination agent to provide certain financial information and operating data and notice of certain enumerated events to each National Repository and to the appropriate State Information Depository, if any (as such terms are defined in the Continuing Disclosure Agreement).

The successful bidder’s obligation to purchase and accept delivery of the 2008 Series J Bonds is conditioned upon their receiving, at or prior to the delivery of the 2008 Series J 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 2008 Series J Bonds are limited to the remedies set forth in the Continuing Disclosure Agreement.

The Authority and the holders of the 2008 Series J 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 2008 Series J Bonds, as the case may be.

The University has never failed to comply, in all material respects, with any previous undertakings to provide continuing disclosure in compliance with the requirements of 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 2008 Series J 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 2008 Series J Bonds.
TAX EXEMPTION


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 2008 Series J Bonds in order to assure that interest on the 2008 Series J 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 2008 Series J Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the 2008 Series J Bonds. The Authority and the University have covenanted to comply with the provisions of the Code applicable to the 2008 Series J Bonds, and have covenanted not to take any action or fail to take any action that would cause interest on the 2008 Series J Bonds to lose the exclusion from gross income under Section 103 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 2008 Series J 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 2008 Series J Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the 2008 Series J Bonds, interest on the 2008 Series J Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the 2008 Series J Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the 2008 Series J Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the 2008 Series J 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 2008 Series J Bonds from gross income pursuant to Section 103 of the Code and interest on the 2008 Series J Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the 2008 Series J Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2008 Series J Bonds.

Internal Revenue Service Audit Risks

The Internal Revenue Service has routine programs of auditing tax-exempt organizations, such as the University, as well as tax-exempt obligations, such as the 2008 Series J Bonds. The University is currently the subject of such a routine audit examining the activities relating to the University’s tax-exempt status. As part of the audit, the Internal Revenue Service is also examining the prior tax-exempt bonds issued for the benefit of the University to determine whether the interest on such bonds is includable in the gross income of the owners thereof for federal income tax purposes. The University is cooperating fully with the Internal Revenue Service in connection with the audit but cannot predict the outcome of the examination. No assurances can be given as to whether or not the Internal Revenue Service will also audit the 2008 Series J Bonds.

Under the Code, an adverse determination by the Internal Revenue Service with respect to the University’s tax-exempt status could have an adverse effect on the exclusion from gross income of interest on the 2008 Series J Bonds. The Authority and the University are not aware of any issues relating to the University’s tax-exempt status or the bonds issued for the benefit of the University that would affect the exclusion from gross income of interest on the tax-exempt bonds issued for the University’s benefit, including the 2008 Series J Bonds.
State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J Bonds. Certain legal matters will be passed on for the University by Peter G. McDonough, Esq., 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 2008 Series J Bonds or questioning or affecting the validity of the 2008 Series J Bonds or the proceedings or authority under which the 2008 Series J 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 2008 Series J 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 2008 Project, the Loan Agreement or the 2008 Series J Bonds or the ability of the University to perform its obligations under the Loan Agreement.
FINANCIAL ADVISOR

Public Financial Management, Inc. serves as financial advisor to the Authority (the “Financial Advisor”) in connection with the issuance of the 2008 Series J Bonds and will receive compensation contingent upon the sale and delivery of the 2008 Series J Bonds. The Financial Advisor advises the Authority in connection with the issuance of its obligations and certain other financial matters.

Government Finance Associates, Inc. serves as financial advisor to the University (the “University Financial Advisor”) in connection with the issuance of the 2008 Series J Bonds. The University Financial Advisor advises the University in connection with the issuance of its obligations and certain other financial matters.

INDEPENDENT AUDITORS

The financial statements of the University as of June 30, 2007 and 2006 and for the years then ended, included in Appendix B to this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing therein, which expresses an unqualified opinion on those financial statements and includes explanatory paragraphs concerning the change in method of accounting for defined benefit pension and other postretirement plans in 2007, the change in method of accounting for asset retirement obligations in 2006 and the financial statements including investments whose fair values have been estimated by management.

MISCELLANEOUS

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

The “REPORT OF THE TREASURER OF PRINCETON UNIVERSITY AS OF JUNE 30, 2007” contained in Appendix B attached hereto has been furnished by the University.

Information herein regarding DTC has been provided by DTC.

The summaries of the General Resolution, the 2008 Series J 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/ Vivian Altman
    Vivian Altman
    Chair

Approved:

THE TRUSTEES OF PRINCETON UNIVERSITY

By: /s/ Christopher McCrudden
    Christopher McCrudden
    Vice President for Finance and Treasurer

Dated: September 10, 2008
APPENDIX A

PRINCETON UNIVERSITY
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 more than 2,000 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 approximately 10 million square feet of building space on and off campus: about 40% for academic buildings including the library, about 25% for administrative and athletic facilities, almost 25% for dormitories and graduate housing and just over 10% for off-campus housing and commercial real estate properties.

The student body numbers approximately 4,800 undergraduates and 2,100 graduate students in more than 60 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 1,243, 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 eight Term Trustees, and not more than thirteen Alumni Trustees. As of July 1, 2008, the Trustees are as follows:

Ex officio

Shirley M. Tilghman
President of the University
Jon S. Corzine
Governor of the State of New Jersey

Charter Trustees

Thomas A. Barron
Dennis J. Brownlee
John D. Diekman
Kathryn A. Hall
Brent L. Henry
Dennis J. Keller
Randall Kennedy
Peter B. Lewis
Karen Magee
Heidi G. Miller
Robert S. Murley
Stephen A. Oxman
Nancy B. Peretsman
Louise S. Sams
Peter C. Wendell
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 Kathryn A. Hall 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, Shirley M. Tilghman. Among the other principal officers of the University are the Provost – Christopher L. Eisgruber; Vice President for Finance and Treasurer – Christopher McCrudden; Vice President and Secretary – Robert K. Durkee; Executive Vice President–Mark Burstein; 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:

Shirley M. Tilghman was elected the nineteenth President of the University in May 2001. A native of Canada, President Tilghman received her B.Sc. (Honors) from Queen’s University in 1968, and her Ph.D. in Biochemistry from Temple University in 1975. She joined the faculty in 1986 as the Howard A. Prior Professor of the Life Sciences, and has also been an Investigator with the Howard Hughes Medical Institute. In 1998 she took on additional responsibilities as the founding director of Princeton’s multi-disciplinary Lewis-Sigler Institute for Integrative Genomics. President Tilghman has served on the Advisory Council to the Director, National Institutes of Health, as well as on the National Advisory Council for the National Center for Human Genome Research. She is a Foreign Associate of the U.S. National Academy of Sciences, a Fellow of the Royal Society of London, and a member of the American Academy of Arts and Sciences and the American Philosophical Society. She is a Trustee of the Jackson Laboratory and the Carnegie Endowment for International Peace and a director of Google Inc.
Christopher L. Eisgruber became the Provost of the University on July 1, 2004. He is the Laurance S. Rockefeller Professor of Public Affairs in the Woodrow Wilson School and the University Center for Human Values. From 2001 through June 2004, he served as Director of Princeton’s Program in Law and Public Affairs. He is the author of The Next Justice: Repairing the Supreme Court Appointments Process (Princeton 2007), Religious Freedom and the Constitution (Harvard 2007) (co-authored with Lawrence G. Sager), 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 for eleven years on the faculty of the New York University School of Law. Eisgruber received an A.B. magna cum laude in Physics from Princeton, a M.Litt. in Politics from Oxford University, and a J.D. from the University of Chicago Law School. He is a member of the American Law Institute.

Christopher McCrudden became the Treasurer of the University in February 2001 and Vice President for Finance and Treasurer in July 2005. Prior to assuming his current responsibilities, Mr. McCrudden, who has been with the University since 1973, served as Associate Provost for Finance and Associate Treasurer. He received his B.A. in government from Trinity College in Hartford, Connecticut, and his M.A. in public administration from Maxwell School of Citizenship and Public Affairs at Syracuse University, where he was a Mellon Fellow. Mr. McCrudden has been active in federal research costing issues, participating in numerous studies and presentations conducted by the Council on Government Relations (COGR) where he has served as chairman of the board. Mr. McCrudden will be assuming a new position as Vice President and Senior Adviser to the President effective October 1, 2008.

Carolyn Ainslie has been selected to become the Vice President for Finance and Treasurer effective October 1, 2008. Prior to her appointment she has served as Vice President for Planning and Budget at Cornell University since 1998 and has held various positions as part of the Cornell budget staff since 1986. She is a graduate of Bucknell University with an MBA from the University of Rochester. Ms. Ainslie serves on the boards of trustees of eCornell, an online learning company owned by Cornell University, and Kendal at Ithaca, a continuing care retirement community with close affiliations with Cornell.

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.

Mark Burstein was appointed Vice President for Administration of the University effective August 2, 2004 and became Executive Vice President in July 2005. Burstein previously served as Columbia University’s Vice President for Facilities Management, and before that as Vice President for Student Services and acting Vice President for Human Resources. An honors graduate of Vassar College with an MBA from the Wharton School at the University of Pennsylvania (where he was awarded the Morgenthau Fellowship in Public Finance), Burstein joined the Columbia administration in 1994 after a series of positions in consulting, investment banking and New York City government.
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 the past 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. A registered professional engineer in New Jersey and Virginia, 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 6,900 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 approximately 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 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, materials science and engineering, and robotics and intelligent systems.

The Graduate School comprises forty-three degree granting academic departments and programs offering over sixty areas of concentration. Fields of study leading to the doctorate are offered in the arts and sciences, engineering, architecture and public affairs. In addition, the Graduate School offers courses of study leading to the degree of Master of Architecture, Master of Arts in Near Eastern Studies, Master in Public Affairs, Master in Public Affairs and Urban and Regional Planning, Master in Public Policy, 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 General Examination.

The University is accredited by the Middle States Association of Colleges and Schools. It also has professional accreditation from the National Architectural Accreditation Board and the Engineering Accrediting Commission of the Accreditation Board for Engineering and Technology.

The University maintains a major library facility, with a substantial number of works in numerous fields. The Library contains over six (6) million volumes and has over 41,000 serial subscriptions. In addition, the University maintains instructional and research libraries in almost 20 departments mainly in the natural sciences and engineering, plus sophisticated computer facilities serving faculty and students in all fields of study.

Faculty

The University consists of a single faculty that teaches on both the graduate and undergraduate levels. There are approximately 848 full-time faculty members with the titles Professor, Associate Professor, Assistant Professor, Instructor, Senior Lecturer and Lecturer. In addition, approximately 321 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 63% 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.

Below is the record of full-time equivalent faculty over the last five years:

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Tenured</th>
<th>Non-Tenured on Tenure Track</th>
<th>Others Non-Tenured</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>502</td>
<td>172</td>
<td>241</td>
<td>915</td>
</tr>
<tr>
<td>2004-05</td>
<td>515</td>
<td>171</td>
<td>232</td>
<td>918</td>
</tr>
<tr>
<td>2005-06</td>
<td>520</td>
<td>160</td>
<td>238</td>
<td>918</td>
</tr>
<tr>
<td>2006-07</td>
<td>534</td>
<td>157</td>
<td>234</td>
<td>925</td>
</tr>
<tr>
<td>2007-08</td>
<td>538</td>
<td>153</td>
<td>249</td>
<td>940</td>
</tr>
</tbody>
</table>

*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”.

A-5
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:

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Undergraduate</th>
<th>Graduate</th>
<th>Total</th>
<th>Bachelor</th>
<th>Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>4,676</td>
<td>2,009</td>
<td>6,685</td>
<td>1,113</td>
<td>686</td>
</tr>
<tr>
<td>2004-05</td>
<td>4,678</td>
<td>2,030</td>
<td>6,708</td>
<td>1,145</td>
<td>688</td>
</tr>
<tr>
<td>2005-06</td>
<td>4,761</td>
<td>2,031</td>
<td>6,792</td>
<td>1,124</td>
<td>661</td>
</tr>
<tr>
<td>2006-07</td>
<td>4,790</td>
<td>2,095</td>
<td>6,885</td>
<td>1,144</td>
<td>716</td>
</tr>
<tr>
<td>2007-08</td>
<td>4,845</td>
<td>2,115</td>
<td>6,960</td>
<td>1,137</td>
<td>743</td>
</tr>
</tbody>
</table>

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

The Trustees have 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 extraordinary 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 freshman in each class, or approximately 1,300 total freshman. The gradual expansion to the freshman class is continuing as planned, and we expect to enroll a class of 1,300 in the future.

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:

<table>
<thead>
<tr>
<th>Academic Year of Matriculation</th>
<th>Completed Applications</th>
<th>Total Acceptances</th>
<th>Total Enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>13,695</td>
<td>1,732</td>
<td>1,175</td>
</tr>
<tr>
<td>2005-06</td>
<td>16,510</td>
<td>1,807</td>
<td>1,229</td>
</tr>
<tr>
<td>2006-07</td>
<td>17,564</td>
<td>1,790</td>
<td>1,231</td>
</tr>
<tr>
<td>2007-08</td>
<td>18,942</td>
<td>1,838</td>
<td>1,246</td>
</tr>
<tr>
<td>2008-09</td>
<td>21,370</td>
<td>2,122</td>
<td>1,246</td>
</tr>
</tbody>
</table>

The average freshman typically scores in the top 5% of the high school seniors who annually take the College Entrance Examination Board’s Scholastic Aptitude Test (SAT) and ranks in the top 10% of
his or her high school class. The middle 50 percent of the fall 2007 freshman class scored between 690 and 790 on the critical reading section of the SAT I and between 700 and 790 on the math SAT I. Approximately 2.5% 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 20-23% 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:

<table>
<thead>
<tr>
<th>Academic Year of Matriculation</th>
<th>Completed Applications</th>
<th>Total Acceptances</th>
<th>Total Enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>7,739</td>
<td>1,056</td>
<td>541</td>
</tr>
<tr>
<td>2005-06</td>
<td>8,120</td>
<td>1,044</td>
<td>516</td>
</tr>
<tr>
<td>2006-07</td>
<td>8,633</td>
<td>1,136</td>
<td>586</td>
</tr>
<tr>
<td>2007-08</td>
<td>8,778</td>
<td>1,128</td>
<td>594</td>
</tr>
<tr>
<td>2008-09</td>
<td>9,238</td>
<td>1,216</td>
<td>620</td>
</tr>
</tbody>
</table>

Excludes visitors and non-degree candidates.

**Tuition and Fees**

The full-time tuition charge for the 2008-2009 academic year is $34,290 for both undergraduate and graduate students. A five-year summary of annual tuition rates follows:

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Tuition Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>$29,910</td>
</tr>
<tr>
<td>2005-06</td>
<td>31,450</td>
</tr>
<tr>
<td>2006-07</td>
<td>33,000</td>
</tr>
<tr>
<td>2007-08</td>
<td>33,000</td>
</tr>
<tr>
<td>2008-09</td>
<td>34,290</td>
</tr>
</tbody>
</table>

In addition, the standard room rate for undergraduates for the 2008-2009 academic year is $6,205 and the board rate is $5,200. For graduate students, the average room rate is $5,305 and the average board rate is $3,205.

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 moderate such increases. Studies conducted at the University and elsewhere indicate that tuition increases should not have a significant effect on the size and quality of the University’s pool of applicants.
Financial Aid

As a matter of policy, the University’s undergraduate admission decisions are made without any consideration to 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 $73 million for undergraduate scholarships in the 2008-2009 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.

Greater than 50% of the current undergraduate student body annually receives need-based financial aid from the University or from outside sources and current trends suggest this percentage will increase slightly over the next few years. In 2008-2009, a total of $86.7 million is budgeted for undergraduate scholarship aid through the University. State and Federal government funds account for 4% of this figure, and outside scholarships (such as National Merit awards and other similar scholarships supported by non-University groups) make up another 8% of the total. The remaining 88% is provided from income earned on the endowment or from general University funds.

Graduate student aid is substantial and awarded on the basis of need and merit. During the 2008-2009 academic year, approximately $120 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. Indeed, 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 78,000 living alumni with the greatest concentrations in New York, California, New Jersey, Massachusetts and Pennsylvania.

Fund Raising

For the Fiscal Years 2004 through 2008, the University has received, on average, approximately $189.1 million per year in gifts from alumni and other supporters of the University, not including the substantial support provided by the Federal government for sponsored research and student aid. Support from alumni, corporations and foundations is used for capital projects or is added to the University’s endowment, and substantial sums, primarily from the University’s Annual Giving campaign, are included in the annual operating budget.
For the year ended June 30, 2008, receipts from private gifts and grants totaled $227.2 million, while the value of outstanding pledges at year-end was $326.4 million. Annual Giving for fiscal year 2008 was $54.1 million, with 59.2% 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 on these funds.

Restricted net assets are generally established in support of schools or departments of the University, often for specific purposes such as professorships, research, faculty support, scholarships and fellowships, 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, 2007 and 2006, and the Statements of Activities and the Statements of Cash Flows for the fiscal years ended June 30, 2007 and 2006. The University’s consolidated financial statements include assets and operations of several foundations of which the University is the principal beneficiary.

The Statement of Activities reflects the annual change in the amount and nature of the University’s net assets. A summary of the consolidated Statement for the year ended June 30, 2007 is as follows (in thousands):

Operating activities:
- Total revenues $ 996,987
- Total expenses (981,281)
- Net increase $ 15,706

Nonoperating activities:
- Net increase $2,814,170

Cumulative effect of change in accounting principle (18,687)

Increase in net assets $2,811,189
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 cumulative effect of change in accounting principle recognizes the change in the method of accounting for postretirement benefits other than pensions.

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 a major 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. While historically the annual increases in fees have tended to be greater than the general rate of inflation, the rate of increase has been consistently decreasing in recent years. For fiscal year 2009, the tuition rate reflects a 3.9% increase, with an overall increase in tuition and fees of 4.2%. Although tuition is now a somewhat greater percentage of median family income than it was in decades prior to the eighties and nineties, the University has increased its financial aid significantly to insure that all admitted undergraduate students can afford to attend.

**Government Grants and Contracts** represent another major source of University income; however, nearly 83% of these funds were restricted in fiscal year 2008. 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 $1.7 million in fiscal year 2008 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 $40 million of revenues in fiscal year 2008.

**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 Statement 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. Also included is the income from the Summer Events Program, which makes dormitories and other facilities available to groups that wish to hold meetings on the campus.
Investment Income includes dividends, interest and realized and unrealized appreciation from the stocks and bonds in the University’s investment portfolio. The University follows a policy of reinvesting a portion of the portfolio’s total return in order to provide some protection against inflation and, in general, 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 revenue.

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 changes are made as required. It is anticipated that the spending rate for 2008-2009 will be approximately 4.8% of the endowment market value and the distribution growth rate for future years will be 5% annually.

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:

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$9,409,100</td>
</tr>
<tr>
<td>2004</td>
<td>10,392,708</td>
</tr>
<tr>
<td>2005</td>
<td>11,904,679</td>
</tr>
<tr>
<td>2006</td>
<td>13,619,000</td>
</tr>
<tr>
<td>2007</td>
<td>16,542,000*</td>
</tr>
</tbody>
</table>

* The market value of all the University’s investments as of May 31, 2008 was approximately $17.2 billion.
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, if necessary, for its existing variable rate bond issuances from its endowment resources of $16.5 billion. At June 30, 2008, there was available more than $297 million in same-day and next-day funds, consisting primarily of United States Treasury Securities, Treasury Repos, and cash. The same resources are available to accommodate, if required, the University’s $120 million commercial paper program which was increased to $300 million in June 2008 and is in the process of implementation. At June 30, 2008, $12.7 million of commercial paper was outstanding. While the composition of the liquid funds varies depending on investment strategies, the amounts at June 30, 2008 are believed to be representative of the University’s capacity at any given time. The University is considering various measures to increase its liquidity for the larger commercial paper program.

**Third Party Debt**

As of June 30, 2008, the University had outstanding indebtedness of $1,299,783,000 in the form of loans from the New Jersey Educational Facilities Authority (NJEFA or Authority), advances from the Student Loan Marketing Association (“Sallie Mae”) and Bank of America to fund a parental loan program, mortgages, notes and commercial paper.
## INDEBTEDNESS OF THE UNIVERSITY

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2008</th>
<th>June 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands of dollars)</td>
<td></td>
</tr>
<tr>
<td>NJEFA Higher Education Capital Improvement Fund, Series 2000 A</td>
<td>1,565</td>
<td>1,647</td>
</tr>
<tr>
<td>NJEFA Dormitory Safety Trust Fund Bonds, Series 2001A</td>
<td>6,658</td>
<td>7,490</td>
</tr>
<tr>
<td>NJEFA Equipment Leasing Fund Bonds, Series 2001A</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>Parental Loans – Sallie Mae and Bank of America</td>
<td>44,664</td>
<td>44,428</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>12,680</td>
<td>12,680</td>
</tr>
<tr>
<td>Mortgages</td>
<td>48</td>
<td>112</td>
</tr>
<tr>
<td>Notes</td>
<td>2,078</td>
<td>2,248</td>
</tr>
<tr>
<td><strong>Total Third Party Debt</strong></td>
<td><strong>$1,299,783</strong></td>
<td><strong>$1,343,347</strong></td>
</tr>
</tbody>
</table>

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 1999 Series B Bonds, the 2000 Series E Bonds, the 2001 Series B Bonds, the 2002 Series B Bonds, and the 2003 Series F Bonds were issued for the renovation and repair of various University facilities, the purchase of capital equipment and the undertaking of several large utilities-related projects. The 1999 Series A Bonds, the 2000 Series H Bonds, and a portion of the 2002 Series B Bonds were issued to partially refund the 1997 Series A Commercial Paper Notes. 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, the 2000 Series H 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. See “Short-Term Borrowing” herein.
Effective in September 1989, the University established a financing program with Sallie Mae for its parental loan program. Under this program, the University drew advances semiannually against a maximum aggregate amount of $50 million borrowed for this purpose. The advances have maturities of 14 years and are at a fixed rate tied to United States Treasury Notes or at a variable rate tied to the LIBOR rate (with semiannual adjustments). The choice of interest rate selected by the borrowers in the parental loan program is the basis for the interest rate charged to the University for each of its advances from Sallie Mae. As of June 30, 2008, approximately $50 million had been advanced, of which $3.48 million is outstanding. The parental loans of this program are pledged against this obligation.

Because of program reorientation at Sallie Mae, a new lender was chosen to finance the terms of the parental loan program. Effective in September 1998, the University established a financing program with Bank of America (Fleet Bank) for this purpose. The financing arrangement with Bank of America allows the University a line of credit of up to $70 million and advances can be drawn semiannually. The advances have and will have maturities of 14 years and can be at a fixed rate tied to United States Treasury Notes or at a variable rate tied to the LIBOR rate (with semiannual adjustments). The choice of interest rate selected by the borrowers in the parental loan program is the basis for the interest rate charged to the University for each of its advances from Bank of America. As of June 30, 2008, approximately $75.15 million has been advanced, of which $41.18 million is outstanding.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$63,401,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>76,322,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>87,803,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>86,259,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>104,750,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following is the projected debt service for fiscal years 2009 through 2013 for the debt outstanding as of June 30, 2008 (in thousands):

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$44,806</td>
<td>$56,904</td>
<td>$101,710</td>
</tr>
<tr>
<td>2010</td>
<td>45,923</td>
<td>54,844</td>
<td>100,767</td>
</tr>
<tr>
<td>2011</td>
<td>46,976</td>
<td>52,688</td>
<td>99,664</td>
</tr>
<tr>
<td>2012</td>
<td>59,030</td>
<td>50,539</td>
<td>109,569</td>
</tr>
<tr>
<td>2013</td>
<td>49,097</td>
<td>48,078</td>
<td>97,175</td>
</tr>
</tbody>
</table>
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. The proceeds are used to provide funds for various major capital projects, while awaiting the receipt of donor gifts, the usual funding source for capital projects. The $120 million commercial paper program was increased to $300 million in June 2008 and is in the process of implementation. The purpose was also expanded to include working capital needs. As of June 30, 2008, $12.7 million was outstanding at an average nominal interest rate of 1.4%. At the conclusion of the construction period for each of these projects, it is expected that funds raised through the University’s ongoing development efforts will have retired varying amounts of each project’s construction debt. At that time, permanent debt financing will be utilized to cover the balance of unfunded costs.

Capital Budgets

The University budgets specific operating revenues to support an ongoing program of capital expenditures in two categories: 1) major maintenance and renovation; and 2) capital equipment (new construction costs are not included here). Despite periods of financial strain, the University has invested consistently in the maintenance of its plant and equipment, and the budgets reflect that priority. For major maintenance and renovation (which does not include normal operating maintenance such as painting), the University anticipates spending approximately $139 million per year over the next several years. The annual University budget now includes sufficient funds to support an annual level of spending in excess of two percent of the estimated replacement value of the physical plant. In addition the University may from time to time allocate dedicated funds and capital reserve funds to allow for the acceleration of specific buildings in our renovation program. This could increase total expenditure levels by as much as $130 million over the next five years.

New construction projects are funded by a combination of moneys raised as part of a separate capital budget and the general debt capacity of the operating budget. The current plans call for approximately $2.03 billion of new construction over the next ten years, including the following academic initiatives: $380 million for a new Chemistry Building and associated enabling work; $354 million for the Creative and Performing Arts, including associated infrastructure improvements; approximately $300 million for a new Neuroscience and Psychology Building, and $180 million for new construction in the Engineering School. Investments in student and staff housing, a data center, an off-campus administrative building, childcare, and athletics fields and complexes may result in additional expenditures of approximately $458 million over this period. Depending on circumstances, the University will issue long-term debt to finance such projects.

Since fiscal year 1983, the University has employed a program to fund externally major maintenance and capital equipment expenditures with long-term debt. Facility N, partially funded with the proceeds of the 1999 Series B Bonds, Facility O, partially funded with the proceeds of the 2000 Series E Bonds, Facility P, partially funded with the proceeds of the 2001 Series B Bonds, Facility Q, partially funded with the proceeds of the 2002 Series B Bonds, Facility R, partially funded with the proceeds of the 2003 Series F Bonds, Facility S, partially funded with the proceeds of the 2004 Series D Bonds, Facility T, partially funded with the proceeds of the 2005 Series B Bonds, Facility U, partially funded with the proceeds of the 2006 Series D Bonds, and Facility V, partially funded with the proceeds of the 2007 Series E Bonds are in accordance with that program.
The following table summarizes the University’s major maintenance and renovation and capital equipment budgets for the upcoming five years. It should be noted that these budgets are reviewed annually and are sometimes supplemented with dedicated and reserve funds.

### PROJECTED MAJOR MAINTENANCE AND RENOVATION AND CAPITAL EQUIPMENT SPENDING
(in thousands of dollars)

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Major Maintenance and Renovation</th>
<th>Capital Equipment*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$122,000</td>
<td>$6,100</td>
<td>$128,100</td>
</tr>
<tr>
<td>2010</td>
<td>127,400</td>
<td>6,200</td>
<td>133,600</td>
</tr>
<tr>
<td>2011</td>
<td>132,900</td>
<td>6,200</td>
<td>139,100</td>
</tr>
<tr>
<td>2012</td>
<td>138,000</td>
<td>6,200</td>
<td>144,200</td>
</tr>
<tr>
<td>2013</td>
<td>143,500</td>
<td>6,300</td>
<td>149,800</td>
</tr>
</tbody>
</table>

*This category includes only that equipment purchased from general University funds. Most scientific equipment is purchased with sponsored research money. The amount actually spent for such equipment varies from year to year depending on the needs of different research groups and the availability of funds from sponsoring agencies (mostly within the Federal government), but it has averaged over $2 million in recent years, excluding expenses related to the Princeton Plasma Physics Laboratory.

### Employees

As of June 2008, 5,865 people were employed by the University (other than students), consisting of 1,169 faculty members, 2,836 other professionals and 1,860 other employees. Approximately 810 maintenance, service and support staff are represented by five unions. In recent years, relationships with both organized and unorganized groups have been good with no significant labor disputes in about twenty five 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). 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

In July 2002, three members of the Robertson Foundation Board of Trustees and another Robertson family member (collectively the “Family Trustees”) commenced a lawsuit against the University and the remaining four Foundation board members, one of whom is the President of the University and the other three appointed by the President (collectively the “University Trustees”). The complaint alleged that the University Trustees have breached their fiduciary duty to the Robertson Foundation by developing “a scheme to transfer control of the investment of the Foundation’s assets to Princeton University Investment Company [PRINCO].” Additional claims include those pertaining to operational aspects and funding of the Woodrow Wilson School’s graduate program. The Family Trustees’ requested remedies include having the University removed from effective control of the Robertson Foundation (whose assets totaled approximately $931 million at May 31, 2008), thereby enabling the Foundation to support other educational institutions. An amended complaint was filed by the plaintiffs in November 2004 containing additional counts, including fraud and breach of fiduciary duties, and additional remedies, including consequential and punitive damages, which could be material to the net asset categories in the University’s financial statements.

The University believes these claims are substantially without merit and is defending itself vigorously. In the Spring of 2006, the University submitted five motions, four of which were for partial summary judgment and one to strike the plaintiffs’ demand for a jury trial. At that time, the plaintiffs submitted two motions for partial summary judgment. On October 25, 2007, the trial judge issued his rulings, granting two of the University’s motions in their entirety, and another one in part, and denying two in their entirety. With respect to plaintiffs’ motions, the trial judge denied one in its entirety and granted another one in part. In sum, the rulings set the stage for a trial (which we expect will occur in 2009), but do not significantly alter the potential exposure of the University. The outcome at this time, however, cannot be determined.

The University is subject to certain other legal proceedings and claims that arise 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 $1.25 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 $20 million with a $500,000 deductible for employment practice claims and $250,000 for all other claims.
APPENDIX B

REPORT OF THE TREASURER OF PRINCETON UNIVERSITY
AS OF JUNE 30, 2007
Highlights

Fiscal years ended June 30

(dollars in thousands)

<table>
<thead>
<tr>
<th>Financial</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principal sources of revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees (net)</td>
<td>$95,356</td>
<td>$92,751</td>
</tr>
<tr>
<td>Government grants and contracts</td>
<td>196,373</td>
<td>203,127</td>
</tr>
<tr>
<td>Private gifts, grants, and contracts</td>
<td>79,320</td>
<td>77,740</td>
</tr>
<tr>
<td>Investment earnings, including unrealized gains or losses</td>
<td>3,104,256</td>
<td>2,059,470</td>
</tr>
<tr>
<td><strong>Principal purposes of expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and general</td>
<td>850,711</td>
<td>798,075</td>
</tr>
<tr>
<td>Auxiliary</td>
<td>94,446</td>
<td>93,183</td>
</tr>
<tr>
<td><strong>Summary of financial position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>19,350,754</td>
<td>16,157,398</td>
</tr>
<tr>
<td>Liabilities</td>
<td>2,234,915</td>
<td>1,852,748</td>
</tr>
<tr>
<td>Net assets</td>
<td>17,115,839</td>
<td>14,304,650</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted/designated</td>
<td>14,607,370</td>
<td>12,034,334</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,225,678</td>
<td>1,050,020</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>1,282,791</td>
<td>1,220,296</td>
</tr>
<tr>
<td>Total</td>
<td>17,115,839</td>
<td>14,304,650</td>
</tr>
<tr>
<td><strong>Students</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate students</td>
<td>4,790</td>
<td>4,761</td>
</tr>
<tr>
<td>Graduate students</td>
<td>2,095</td>
<td>2,029</td>
</tr>
<tr>
<td>Degrees conferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor degrees</td>
<td>1,144</td>
<td>1,124</td>
</tr>
<tr>
<td>Advanced and all other degrees</td>
<td>716</td>
<td>661</td>
</tr>
<tr>
<td>Annual tuition rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>$33,000</td>
<td>$31,450</td>
</tr>
<tr>
<td>Graduate</td>
<td>33,000</td>
<td>31,450</td>
</tr>
<tr>
<td><strong>Faculty</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time equivalent</td>
<td>925</td>
<td>918</td>
</tr>
</tbody>
</table>
Financial Overview

The University achieved record financial results for the fiscal year ended June 30, 2007, sustaining its exceptional financial condition. As a result of superior investment performance for the year, the University was able to increase its net assets by a record $2.8 billion. The overall return of 24.7 percent from the managed portfolio was among the best of its peers. Revenues from gifts and pledges, including Annual Giving, which also established a new record, were consistent with Princeton’s long history of successful fundraising. The University continued to finance its major maintenance, renovation, and capital equipment requirements through the sale of tax-exempt bonds. A commercial paper program continues to provide partial financing for capital projects during their construction phase. Each debt instrument received the highest credit rating from both Moody’s and Standard & Poor’s agencies.

Report

This report describes the financial position of Princeton University on two separate but related bases. Pages 6 and 7 describe the University’s annual operating budget and reflect the basis on which the budget decisions are made and executed. The operating budget includes unrestricted and restricted income utilized to cover expenses. The second method (pages 8 through 10) constitutes the basis for preparing the audited financial statements in accordance with generally accepted accounting principles (GAAP) in the United States. This approach focuses on total income and total expenses as defined by GAAP. Because the data in the two presentations are prepared with somewhat different objectives and are based on differing rules and conventions, it is not always obvious how they are related. In some cases, similar descriptions are used in both sections of this report even though the precise definitions—and thus the specific amounts—are not identical. However, both sets of figures are fair presentations within their respective rules and conventions, and both are drawn from the University’s general ledger.

The schedule from the audited financial statements that most closely relates to the format used for the annual operating budget is the Consolidated Statement of Activities. The lower half of the statement deals with nonoperating activities and reflects realized and unrealized appreciation on the endowment, pledges from donors, changes in the principal value of outside trusts, and gifts for capital projects. All of these deal with factors affecting the long-term value of our assets. The upper sections of the statement focus on basically the same set of revenue and expense items as the annual operating budget. However, this presentation differs from the operating budget in both the gross numbers and in the calculation of a surplus or deficit. Thus, a reconciliation would focus on a comparison between the total column of the upper section of the Consolidated Statement of Activities from our audited financial statements (page 16) and our operating budget, which appears in the Priorities Committee Report and pages 6 and 7 of this document.

On a gross basis, expenses on the two presentation bases differ by roughly $66 million ($981 million on the Consolidated Statement of Activities and $1,047 million as total operating budget expenditures). As discussed further below, there are numerous factors that would affect these two totals. However, the single most important factor on a gross basis is that GAAP accounting rules require $132 million of certain scholarship and fellowship expenses to be treated as reductions from tuition and fee income amounts on the Consolidated Statement of Activities. The operating budget continues to show tuition and fees as gross income and the full amount of all student aid as an expense. There are also various timing differences in the recognition of expense on the Consolidated Statement of Activities which is always on an accrual basis, as compared to the operating budget which in some categories is on a cash basis or not recognized at all. As examples, postretirement health costs and system development expenditures are recognized in the operating budget on a cash basis which results in higher GAAP expenses of approximately $25 million. Royalty expenses paid to inventors (as well as the offsetting income) are not recognized in the operating budget which result in higher GAAP expenses of $10 million.

The surplus or deficit as calculated by these two presentations also differs; the total column of the Consolidated Statement of Activities shows a surplus of roughly $16 million on the line Results of operations, while the operating budget reports a balance of revenues and expenses. There are many factors that cause variances on both income and expense lines. While there is no prescribed formula for reconciling these differences, the following examples illustrate why the numbers vary, showing the estimated GAAP impact as compared to the operating budget presentation.

• Depreciation versus transfer to reserves — In the GAAP financial statements we allocate a cost for the depreciation of all buildings, equipment, software, and library books to the expense lines for academic, administrative, and auxiliary items. These reflect estimated useful lives that range from 10 to 50 years. The total amount of depreciation, amortization, and disposals is some $83 million. The oper-
ating budget treats these costs differently. All library books are expensed in the year they are purchased ($16 million in FY 07). In addition, we normally amortize equipment over shorter periods of time, and we show as an expense monies transferred to our Renewal and Replacement Fund. This fund covers the annual debt service charges for major maintenance and equipment programs, certain capital renovation projects, and monies for laboratory renovation, equipment, and other expenses associated with the appointment of new faculty members. Most of these items, which total some $93 million, are capitalized and depreciated for GAAP reporting purposes. Thus, the differing treatment of these items on the expense side produces an increase to the GAAP results of about $26 million.

• The recognition of restricted income to fund capital equipment — As mentioned above, the operating budget includes a general funds transfer to reserves for renewal and replacement of the physical plant. The operating budget does not include either income or expenditures for nongeneral funds equipment. However, since the Consolidated Statement of Activities shows depreciation expense for equipment funded from all sources, these statements must also reflect restricted income given for such purposes. GAAP provides for all income associated with capital equipment purchases to be recognized in the year the expenditure is made. This results in net additional income of $16 million, which increases the GAAP results.

• Postretirement health costs — The operating budget treats all qualified retiree medical expenses, which are primarily self-insured, on a cash basis. However, according to GAAP, the Consolidated Statement of Activities includes an amount that amortizes the potential future medical costs for past and present employees irrespective of current year payments. That net charge on the Consolidated Statement of Activities is roughly $18 million and reduces the GAAP results.

• Interest on external debt — Under GAAP, all interest paid on external debt shows as an expense of unrestricted net assets. While the operating budget provides for interest on debt in its amortization schedules and transfers, it excludes some interest amounts associated with capital projects that have been assigned to and funded from capital gifts. The Consolidated Statement of Activities also includes amortization of bond issuance costs and earnings on capital funds, while the operating budget does not. The net of these factors is increased expense, which reduces the GAAP results by $22 million.

• All other items — Most of these differences have to do with the recognition of unrestricted revenue and expense. While the operating budget typically covers transactions for a single fiscal year only, there are some instances where small items might carry forward from year to year. Examples would be an annual transfer to an insurance reserve or an agreement to allow a department to retain certain budget savings. In these cases, the operating budget recognizes the liability, and we actually move the amounts on our books into funds functioning as endowment until the expenditures are made. However, GAAP does not count such transfers and recognizes the expenses only when they are actually incurred. On the income side, if unrestricted income has been received but designated for a particular purpose, the operating budget does not recognize the monies until the expenditures occur. However, GAAP recognizes the unrestricted income when it is received and does not reflect internal restrictions that may have assigned funds to a particular project. Rather, it shows the expenditures when they occur without any income offset. For example, net royalty income of $23 million is recognized as revenue from other sources in the Consolidated Statement of Activities, but has been designated for a new capital project, and hence, not recognized in the operating budget. While in any given year these conventions could cancel each other out, in fiscal year 2007 the GAAP results exceed the operating budget results by approximately $14 million.

All these varying factors result in a $16 million net increase in the operating budget when presented in the form of the Consolidated Statement of Activities. Each of the differing accounting treatments helps in its own way to focus on issues that need to be considered in managing annual operations in the context of our longer-term responsibilities for future years.
Operating Budget

Objectives and Policies

The Priorities Committee of the Council of the Princeton University Community (CPUC) is the faculty-student-administration group that makes recommendations to the president concerning the annual operating budget. The president, after approving these recommendations, submits them to the trustees for their approval in the January preceding the start of each fiscal year. All major budgetary items are reviewed by the Priorities Committee to make sure that both immediate needs and long-range plans for resource allocation are considered and evaluated.

The objective of the operating budget is to accomplish current University goals while ensuring that our physical and financial resources in the future are appropriately preserved for the longer term. Under these general guidelines, the president and the trustees have adopted a set of rules for determining the prudent division of resources between current spending and reinvestment for the future. It is the responsibility of the Priorities Committee and the president to propose annual plans which keep expenditures and revenues in balance.

Fiscal Year 2006–07 Results

In January 2006 the trustees approved an operating budget for 2006–07 that anticipated a balanced budget. The actual results were essentially unchanged, although there were naturally some variances in various items of income and expense which offset each other.

\[
\begin{array}{l}
\text{Operating Budget Revenues} & \$ 1,047,252 \\
\text{Operating Budget Expenditures} & 1,047,252 \\
\text{Operating Surplus} & $ 0 \\
\end{array}
\]

A balanced budget for 2007–08 was adopted in January 2007, and we expect to sustain financial equilibrium in the foreseeable future.
Operating Budget Revenues

1. **Investment Income.** Primarily endowment earnings distributed in accordance with a spending formula approved by the trustees (normally amounting to spending between 4 and 5.75 percent of market value annually). Unlike the general financial statement treatment, income dedicated to the use of a particular department or program is counted in the operating budget only as it is spent.

2. **Student Fees.** Undergraduate and graduate tuition, in addition to medical and application fees and other miscellaneous charges. All tuition payments are counted here even if they are paid using University-provided student aid funds.

3. **Sponsored Research.** Support for organized research projects sponsored by the federal and state governments and by corporations and foundations.

4. **Private Gifts and Grants.** Spendable gifts from outside groups such as corporations, foundations, and individuals, and federal support for financial aid. The largest single component is the amount provided by Annual Giving, which provides unrestricted operating funds to the University. Capital gifts are excluded and restricted gifts are recognized only as they are spent.

5. **Auxiliary Activities.** Income from athletics, dormitory and food services, rental housing, computing, and miscellaneous support activities.

Operating Budget Expenses

1. **Academic Departments and Programs.** Instructional salaries (such as faculty and graduate teaching assistants) and all other operating costs of academic departments. Also included here are all the direct costs of carrying out sponsored research within these departments and programs.

2. **Princeton Plasma Physics Laboratory.** The laboratory is a collaborative national center for plasma and fusion research which the University manages under contract with the U.S. Department of Energy.

3. **Student Aid.** Undergraduate scholarships and graduate fellowships, most of which are funded from either endowment funds or general University funds.

4. **Library and Information Technology.** Costs associated with the Library and with the Office of Information Technology.

5. **Administration.** The cost of all central administrative functions, including the offices of the provost and deans, health services, admissions, registrar, religious life, and public safety. General administrative and business offices such as the treasurer, human resources, development, and public affairs are also included in this category.

6. **Athletics.** Expenses of intercollegiate competition, intramural sports, and physical education.

7. **Physical Facilities.** Operation, maintenance, and energy expenses for all campus buildings, as well as the costs of food services and other facilities-related service units. Also included are transfers to reserves to fund debt service related to major maintenance, renovation, and central capital equipment expenditures.
**Financial Statements**

**Accounting Principles**

Princeton University’s financial statements are presented in accordance with generally accepted accounting principles set forth by the Financial Accounting Standards Board (FASB) as supplemented by the American Institute of Certified Public Accountants (AICPA) audit and accounting guide for not-for-profit organizations. In addition to general accounting guidance, the statements reflect the impact of specific reporting requirements of not-for-profit organizations prescribed by FASB Statements 116 and 117 on the subjects of accounting for contributions and the format of general purpose external financial statements, respectively. Compliance with AICPA guidance includes the consolidation of wholly owned subsidiaries and significant trusts in which the University is a beneficiary, as well as reporting tuition discounts, primarily fellowships and scholarships, as reductions of tuition revenue. The financial statements are fully comparable, including prior year data on the Consolidated Statement of Activities.

**Financial Reports**

The principal objectives of FASB Statement 117 are to provide consistency among the financial statements of not-for-profit organizations and to make them more comparable to those of the for-profit sector. Statement 117 requires not-for-profit organizations to provide, for their external financial reports, a statement of financial position, a statement of activities, and a statement of cash flows. The organization’s resources are classified among three categories of net assets, that is, gross assets less related liabilities, based solely on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—are displayed in a statement of financial position, and the amounts of change in each category are displayed in a statement of activities.

Permanently restricted net assets are those resources that may never be spent, mainly endowment funds. They are generally the results of gifts and bequests with donor stipulations that they be invested to provide a permanent source of income. They may also include gifts in kind such as works of art or real property. Temporarily restricted net assets include those that, again by donor stipulation, must be invested only for a certain period of time or may be used in a specified future period. Unrestricted net assets may be expended for any purpose and result from investment income, including net gains, and from gifts.

**Statement of Financial Position**

The statement of financial position is a snapshot of the University’s resources and obligations at the close of the fiscal year and is comparable to the document sometimes referred to as the balance sheet. Assets on the statement are presented in decreasing order of liquidity, from cash to property and equipment, the least liquid of its assets. A significant item is the amount for contributions receivable, a requirement under FASB Statement 116.

Liabilities are also presented in order of anticipated time of liquidation. Included are the liabilities under unitrust agreements, which represent the estimated amounts payable to donors under the University’s planned giving programs. The accounting rules require donees to record a liability for the present value of the expected lifetime payments to donors and to recognize the net amount received as a contribution in the year of receipt.

In accordance with the accounting rules, certain unrestricted net assets have been partially earmarked, or designated, according to their intended use by the University. A significant portion of unrestricted net assets, realized gains on endowment assets, has been reinvested and is not treated as available for spending. Temporarily restricted net assets include promises to give that are receivable in future years as well as donor-restricted contributions, the purpose of which has not yet been fulfilled. Permanently restricted net assets include endowment gifts that cannot be spent and funds held in perpetual trust by others.

**Statement of Activities**

The statement of activities is a summary of the income and expenses for the year, classified according to the existence or absence of the restrictions described above. Sources such as tuition, sponsored research, and auxiliary activities are normally shown as unrestricted income, although income from certain gifts or sponsored agreements may be includible in any of the three classes of income depending upon the donor’s specifications. Gifts to endowment, for example, are permanently restricted. Income from temporarily restricted sources is reclassified to unrestricted income when the circumstances of the restriction have been fulfilled. All expenditures are made from unrestricted net assets, since an amount cannot be spent until all restrictions on its use have been removed.

The statement of activities is presented in two sections, operating and nonoperating, which attempt to reflect the principles of the University’s operating budget. Items of income shown in the operating section include all unrestricted receipts as well as the endowment earnings made
available for spending under the spending rule. Virtually all expenses are considered to be associated with operating activity. Major items of income that are considered non-operating include unrealized appreciation on investments and endowment income earned in the current year to be used in the succeeding year in accordance with operating budget policy. Unrestricted gift income, primarily from Annual Giving, is shown as operating income, while income from promises to give (pledges) is considered a nonoperating source of income.

The statement of activities concludes with a reconciliation of the change in each class of net assets for the year to the balance of net assets shown on the statement of financial position.

Statement of Cash Flows

The statement of cash flows is intended to be the bridge from the increase or decrease in net assets for the year to the change in cash balances from one year-end to the next. Several items shown as expenses in the statement of activities, such as depreciation, do not require an outlay of cash, whereas the purchase of capital assets, which does require the expenditure of cash, is added directly to the statement of financial position and only shows on the statement of activities on a depreciation basis. Other items that affect cash balances but are not required to be included in the statement of activities include the purchase and sale of investment securities, borrowing proceeds and the repayment of loan principal, and the net change in accounts receivable and payable.

The reconciling items on the statement of cash flows are grouped into three categories. Operating activities are those items of income and expense that occur during the normal course of providing services as an educational institution. Investing activities include the acquisition and disposal of capital assets such as buildings and equipment, and the purchase and sale of investments. Financing activities are those transactions that provide permanent capital for the organization, such as endowment gifts. Also included are the disbursement of funds for new student and employee loans, and the collection of principal payments on such loans, as well as the proceeds from long-term borrowing to finance capital additions and the repayment of principal on such indebtedness.

Contributions

In accordance with FASB Statement 116, donors’ unconditional promises to give are required to be recorded as revenue and as amounts receivable by donees in the year received. Where collection is not expected within one year, the amount recorded is determined on a present-value basis. Conditional promises to give are recognized when they become unconditional, that is, when the conditions imposed by the donor have been substantially met.

Contributions must be classified among those that are permanently restricted, temporarily restricted, or unrestricted, as determined solely by the donor. The classification of contributions is essential for the proper presentation of revenue in the statement of activities and of net assets in the statement of financial position, previously discussed.

Endowment Management

A significant portion of the operating budget is financed from endowment earnings. Consequently, the University’s investment portfolio is professionally managed for total return that is accounted for under a consistently applied formula.

Most invested funds participate in the Primary Pool, which is operated on a market-value basis. Long-term growth of principal and increase of future earnings are the University’s objectives in the investment of these funds. Funds participating in the Primary Pool are assigned units on a market-value basis. Funds withdrawn from the Primary Pool receive appreciation or depreciation based on the change in unit market values. After deducting investment management fees, the earnings are allocated on the basis of units owned by participating funds.

The University follows an endowment spending rule that provides for an annual increase in the amount of Primary Pool earnings allocated for spending. For the Primary Pool’s year ended May 31, 2007, the interest and dividends per unit (net of investment management fees) were $123.81. The unit earnings allocated for spending, including gains, were $396.00. The market value of a unit was $8,701.54 at June 30, 2007, and $7,357.52 at June 30, 2006.
A Secondary Pool is maintained for funds expected to be disbursed within five years. The University guarantees the principal of these funds and makes annual distributions at money market rates. Distributions to the participating funds for the Secondary Pool’s year ended May 31, 2007, equaled 5.12 percent of the average market value.

The Balanced Fund and the Income Fund have been established for funds subject to the donor’s reservation of life income. The fiscal year-end for each pool is December 31. These pools are operated on a market-value basis in a manner similar to the Primary Pool. After deducting investment management fees, earnings are distributed quarterly to the beneficiaries. For the year ended December 31, 2006, the earnings distribution from the Balanced Fund was $119.81 per unit, and the average market value of a unit was $3,036.46; the earnings distribution from the Income Fund was $10.10 per unit, and the average market value of a unit was $180.58.

The University also maintains a group of separately invested funds. Included therein are funds established from gifts of investments restricted as to sale by donors, funds where the University acts as custodian or fiscal agent for others, and the University’s investments in real estate.

Conclusion

In summary, we hope that readers find the presentations and explanations helpful in interpreting the financial state of the University. Princeton is blessed with significant financial resources and is committed to utilizing them in support of our current institutional and research programs while simultaneously preserving their value for future generations.

Christopher McCrudden
Vice President for Finance and Treasurer

Kenneth Molinaro
Controller
Report on Investments

Introduction

The purpose of the endowment is to support the University’s current and future operating needs, while preserving intergenerational equity. This mission requires a return that exceeds both the annual rate of spending and University inflation. In pursuit of this goal, the Princeton University Investment Company (PRINCO) maintains an equity-biased portfolio and seeks to partner with best-in-class investment management firms across diverse asset categories. PRINCO is structured as a University office but maintains its own Board of Directors (the “directors”) and operates under the final authority of the University’s Board of Trustees (the “trustees”). As of June 30, 2007, Princeton’s total net investment portfolio stood at a record $15.7 billion, approximately $2.7 billion more than the year before.

Spending

The endowment provided $414 million in spending support to the University in fiscal year 2007, representing 40% of University operating budget revenues.

Each year the trustees decide upon an amount to be spent from the endowment for the following fiscal year. (Excluded from these deliberations are funds that represent either capital reserves or assets devoted to strategic purposes, such as subsidizing faculty housing.) 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. Until recently, the framework targeted annual spending rates of between 4% and 5%. In 2006, the trustees decided that, based upon the strengthening of Princeton’s investment program, higher average spending rates could be supported going forward. As a result, the trustees raised the upper boundary of the spending target range to 5.75%.

With long-term expectations of university inflation approximating 5% or more, the endowment must seek investment returns approaching or exceeding 10% per year to maintain future purchasing power without a deterioration of corpus.

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 which 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 strategic (mid-term) opportunities arising from significant market disequilibria. The graph below depicts the policy portfolio targets.


Clearly evident is PRINCO’s bias toward equities or equity-like assets—94% of the portfolio is allocated toward these investments. Also striking is the relatively small portion, 11%, of the portfolio dedicated directly to Domestic Equities. Large portions of the portfolio are allocated to other high-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 independent of broad market trends. Private Equity and Real Assets include investments in private companies, venture capital opportunities, real estate, and natural resources. These areas have offered attractive opportunities for skilled, patient investors.
PRINCO diversifies among asset categories for a number of reasons. Most importantly, we seek a return premium. Compared to the U.S. stock market, each of these areas offers the potential for higher long-term returns. In each of these arenas, Princeton has competitive advantages that make superior returns possible. A broader opportunity set means that the portfolio should 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.

PRINCO’s directors, working closely with PRINCO staff, review the Policy Portfolio annually. Their fiscal 2007 Policy Portfolio review resulted in modifications of several long-term allocation targets—Private Equity’s long-term target was increased by three points to 22%, offset by one-point reductions in each of Domestic Equity, International Developed Equity, and Fixed Income. The graph above incorporates these changes, which were motivated primarily by increased confidence in PRINCO’s ability to expand its non-marketable investment programs without degradation in quality.

There has been a “grand unifying theme” of activity cutting across almost all asset categories in recent years. We have made it a priority to improve and expand our internationally based manager networks. While three years ago we had just 12 relationships with “foreign local” managers, who managed $500 million of our assets, today we have relationships with 42 of these experts, who collectively control $3.9 billion of our assets (including unfunded commitments).

The following table compares the endowment’s long-term Policy Portfolio asset allocation targets with the actual weights as of June 30, 2007. Within relatively small and pre-determined ranges, PRINCO’s staff and directors will over- or under-weight relatively more or less compelling asset categories.

<table>
<thead>
<tr>
<th></th>
<th>Policy Target</th>
<th>Actual Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>11.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>International Equity–Developed</td>
<td>7.5%</td>
<td>7.4%</td>
</tr>
<tr>
<td>International Equity–Emerging</td>
<td>8.5%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Independent Return</td>
<td>25.0%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>22.0%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>20.0%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>6.0%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Cash</td>
<td>0.0%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Performance

For the fiscal year ending June 30, 2007, the endowment produced a 24.7% return on invested assets. Over the 10 years ended June 30, 2007, Princeton’s portfolio earned an annualized return of 16.2%, compared to a 12.3% return for the Policy Portfolio and 9.6% for the median college and university endowment.1 The endowment delivered its greatest margin of excess performance relative to a passive blend of 65% S&P 500 and 35% Lehman Brothers Aggregate Index, which produced an annualized 10-year return of 7.1%.2 Princeton’s excess performance relative to the Policy Portfolio, median college and university, and 65/35 benchmark has added approximately $6, $8, and $10 billion, respectively, to the endowment over the past 10 years.

Over the past 10 years, Princeton outperformed within asset categories by an average annualized margin of 2.9%. In every marketable equity category, PRINCO beat benchmarks by a substantial amount. The non-marketable asset categories Private Equity and Real Assets produced

1. Policy Portfolio returns represent a weighted average of individual benchmark returns. The median endowment performance represents data compiled by Cambridge Associates for 123 college and university endowments.
2. The 65% S&P 500/35% Lehman Brother Aggregate Index portfolio represents what an investor would earn from a 65/35 investment in these equity and fixed income market indices, rebalanced annually.
strong absolute results, which were slightly greater and less than their respective benchmarks. A relative performance headwind has been created by the substantial expansion of these programs in recent years. As a result, relative to the benchmark, a larger share of Princeton’s portfolio in each category is in young investments that have not yet had an opportunity to mature and have their inherent value made manifest.

Princeton’s diverse asset allocation and its partnerships with skilled investment management firms across asset categories, should position the endowment for superior performance in a variety of market environments.

Andrew Golden
President, Princeton University Investment Company
INDEPENDENT AUDITORS’ REPORT

The Board of Trustees
of Princeton University

We have audited the accompanying Consolidated Statements of Financial Position of Princeton University (the “University”) as of June 30, 2007 and 2006, and the related Consolidated Statements of Activities and Cash Flows for the years then ended. These financial statements are the responsibility of the University’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the University at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note, “Postretirement benefits other than pensions” to the consolidated financial statements, the University changed its method of accounting for defined benefit pension and other postretirement plans in 2007.

As discussed in Note, “Conditional asset retirement obligations” to the consolidated financial statements, the University changed its method of accounting for asset retirement obligations in 2006.

As discussed in Note, “Investments” to the financial statements, the financial statements include investments valued at $6.497 billion (38% of net assets) and $4.357 billion (30% of net assets) as of June 30, 2007 and 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management’s estimates are based on information provided by the general partners or a valuation committee.

November 9, 2007
Princeton University  
Consolidated Statements of Financial Position  
June 30, 2007 and 2006

*(dollars in thousands)*  

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$3,830</td>
<td>$3,280</td>
</tr>
<tr>
<td>Accounts and accrued interest receivable</td>
<td>80,846</td>
<td>65,819</td>
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<tr>
<td>Due from brokers</td>
<td>91,608</td>
<td>3,073</td>
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<tr>
<td>Educational loans receivable</td>
<td>66,032</td>
<td>62,766</td>
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<tr>
<td>Contributions receivable</td>
<td>212,416</td>
<td>204,171</td>
</tr>
<tr>
<td>Inventories, deferred charges, and other assets</td>
<td>27,534</td>
<td>35,072</td>
</tr>
<tr>
<td>Securities pledged to creditors</td>
<td>188,558</td>
<td>188,714</td>
</tr>
<tr>
<td>Investments at market value</td>
<td>16,542,000</td>
<td>13,619,000</td>
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<tr>
<td>Funds held in trust by others</td>
<td>115,110</td>
<td>99,775</td>
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<tr>
<td>Property:</td>
<td></td>
<td></td>
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<tr>
<td>Land</td>
<td>80,264</td>
<td>67,249</td>
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<tr>
<td>Buildings and improvements</td>
<td>1,840,017</td>
<td>1,790,198</td>
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<tr>
<td>Construction in progress</td>
<td>271,359</td>
<td>159,710</td>
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<tr>
<td>Other property</td>
<td>587,686</td>
<td>566,296</td>
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<tr>
<td>Accumulated depreciation</td>
<td>(756,506)</td>
<td>(707,725)</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>$19,350,754</strong></td>
<td><strong>$16,157,398</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$69,837</td>
<td>$57,462</td>
</tr>
<tr>
<td>Due to brokers</td>
<td>8,620</td>
<td>1,410</td>
</tr>
<tr>
<td>Deposits, advance receipts, and accrued liabilities</td>
<td>64,612</td>
<td>56,580</td>
</tr>
<tr>
<td>Payable under securities loan agreements</td>
<td>194,041</td>
<td>193,992</td>
</tr>
<tr>
<td>Deposits held in custody for others</td>
<td>181,308</td>
<td>148,462</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>44,451</td>
<td>46,368</td>
</tr>
<tr>
<td>Liability under planned giving agreements</td>
<td>99,086</td>
<td>99,336</td>
</tr>
<tr>
<td>Federal loan programs</td>
<td>7,579</td>
<td>7,400</td>
</tr>
<tr>
<td>Indebtedness to third parties</td>
<td>1,343,347</td>
<td>1,061,769</td>
</tr>
<tr>
<td>Accrued postretirement benefits</td>
<td>222,034</td>
<td>179,969</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$2,234,915</strong></td>
<td><strong>$1,852,748</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$14,607,370</td>
<td>$12,034,334</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,225,678</td>
<td>1,050,020</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>1,282,791</td>
<td>1,220,296</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>$17,115,839</strong></td>
<td><strong>$14,304,650</strong></td>
</tr>
</tbody>
</table>

**Total Liabilities and Net Assets**  

<table>
<thead>
<tr>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>$19,350,754</td>
<td>$16,157,398</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
Princeton University  
Consolidated Statement of Activities  
Year ended June 30, 2007

(dollars in thousands)  Unrestricted  Temporarily Restricted  Permanently Restricted  2007 Total

<table>
<thead>
<tr>
<th>Operating revenues, gains, and other support</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$ 227,480</td>
<td>$ 227,480</td>
<td></td>
</tr>
<tr>
<td>Less scholarships and fellowships</td>
<td>(132,124)</td>
<td>(132,124)</td>
<td></td>
</tr>
<tr>
<td>Net tuition and fees</td>
<td>95,356</td>
<td>95,356</td>
<td></td>
</tr>
<tr>
<td>Government grants and contracts</td>
<td>196,373</td>
<td>196,373</td>
<td></td>
</tr>
<tr>
<td>Private gifts, grants, and contracts</td>
<td>79,320</td>
<td>79,320</td>
<td></td>
</tr>
<tr>
<td>Sales and services of auxiliary activities</td>
<td>74,568</td>
<td>74,568</td>
<td></td>
</tr>
<tr>
<td>Other sources</td>
<td>48,738</td>
<td>48,738</td>
<td></td>
</tr>
<tr>
<td>Investment earnings distributed</td>
<td>452,617 $ 50,015</td>
<td>502,632</td>
<td></td>
</tr>
<tr>
<td>Total operating revenues, gains, and other support</td>
<td>946,972 50,015</td>
<td>996,987</td>
<td></td>
</tr>
</tbody>
</table>

| Net assets released from restrictions       | 175,834 (175,834) | |
| Total operating revenues, gains, and other support | 1,122,806 (125,819) | 996,987 |

<table>
<thead>
<tr>
<th>Operating expenses and losses</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and general:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic departments and programs</td>
<td>477,584</td>
<td>477,584</td>
<td></td>
</tr>
<tr>
<td>Academic support</td>
<td>35,620</td>
<td>35,620</td>
<td></td>
</tr>
<tr>
<td>Student services</td>
<td>76,022</td>
<td>76,022</td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td>52,907</td>
<td>52,907</td>
<td></td>
</tr>
<tr>
<td>General administration and institutional support</td>
<td>109,569</td>
<td>109,569</td>
<td></td>
</tr>
<tr>
<td>Other student aid</td>
<td>26,148</td>
<td>26,148</td>
<td></td>
</tr>
<tr>
<td>Plasma Physics Laboratory</td>
<td>72,861</td>
<td>72,861</td>
<td></td>
</tr>
<tr>
<td>Total educational and general</td>
<td>850,711</td>
<td>850,711</td>
<td></td>
</tr>
<tr>
<td>Auxiliary activities</td>
<td>94,446</td>
<td>94,446</td>
<td></td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>36,124</td>
<td>36,124</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses and losses</td>
<td>981,281</td>
<td>981,281</td>
<td></td>
</tr>
<tr>
<td>Results of operations</td>
<td>141,525 (125,819)</td>
<td>15,706</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nonoperating activities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments to planned giving agreements</td>
<td>8,623 $ 6,708</td>
<td>15,331</td>
<td></td>
</tr>
<tr>
<td>Increase in value of assets held in trust by others</td>
<td>15,335</td>
<td>15,335</td>
<td></td>
</tr>
<tr>
<td>Private gifts, noncurrent</td>
<td>158,259 23,621</td>
<td>181,880</td>
<td></td>
</tr>
<tr>
<td>Net unrealized appreciation on investments</td>
<td>1,170,713 77,172</td>
<td>1,253,359</td>
<td></td>
</tr>
<tr>
<td>Investment earnings not distributed</td>
<td>1,732,102 107,438</td>
<td>1,850,897</td>
<td></td>
</tr>
<tr>
<td>Distribution of prior year investment earnings</td>
<td>(452,617) (50,015)</td>
<td>(502,632)</td>
<td></td>
</tr>
<tr>
<td>Increase from nonoperating activity</td>
<td>2,450,198 301,477</td>
<td>2,814,170</td>
<td></td>
</tr>
<tr>
<td>Increase in net assets before cumulative effect of change in accounting principle</td>
<td>2,591,723 175,658</td>
<td>2,829,876</td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(18,687)</td>
<td>(18,687)</td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>2,753,056 175,658</td>
<td>2,811,189</td>
<td></td>
</tr>
<tr>
<td>Net assets at the beginning of the year</td>
<td>12,034,334 1,050,020 1,220,296</td>
<td>14,304,650</td>
<td></td>
</tr>
<tr>
<td>Net assets at the end of the year</td>
<td>$ 14,607,370 $ 1,225,678 $ 1,282,791</td>
<td>$ 17,115,839</td>
<td></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
Princeton University  
Consolidated Statement of Activities  
Year ended June 30, 2006

(dollars in thousands) Unrestricted Temporarily Permanently 2006
Restricted Restricted Total

Operating revenues, gains, and other support  
Tuition and fees $213,176 $213,176
Less scholarships and fellowships (120,425) (120,425)
Net tuition and fees 92,751 92,751
Government grants and contracts 203,127 203,127
Private gifts, grants, and contracts 77,740 77,740
Sales and services of auxiliary activities 69,730 69,730
Other sources 42,124 42,124
Investment earnings distributed 392,131 $44,030 436,161
Total operating revenues, gains, and other support 877,603 44,030 921,633

Net assets released from restrictions 140,109 (140,109)
Total operating revenues, gains, and other support 1,017,712 (96,079) 921,633

Operating expenses and losses  
Educational and general:
Academic departments and programs 448,458 448,458
Academic support 29,588 29,588
Student services 72,437 72,437
Library 47,933 47,933
General administration and institutional support 98,844 98,844
Other student aid 23,317 23,317
Plasma Physics Laboratory 77,498 77,498
Total educational and general 798,075 798,075
Auxiliary activities 93,183 93,183
Interest on indebtedness 36,684 36,684
Total operating expenses and losses 927,942 927,942
Results of operations 89,770 (96,079) (6,309)

Nonoperating activities  
Adjustments to planned giving agreements 8,338 $1,844 10,182
Increase in value of assets held in trust by others 5,351 5,351
Private gifts, noncurrent 158,136 34,110 192,246
Net unrealized appreciation on investments 65,819 8,087 664,206
Investment earnings not distributed 1,315,827 65,814 1,395,267
Distribution of prior year investment earnings (392,131) (44,030) (436,161)
Increase from nonoperating activity 1,513,996 257,377 59,715 1,831,088
Increase in net assets before cumulative effect of change in accounting principle 1,603,766 161,298 59,715 1,824,779
Cumulative effect of change in accounting principle (15,500) (15,500)
Increase in net assets 1,588,266 161,298 59,715 1,809,279
Net assets at the beginning of the year 10,446,068 888,722 1,160,581 12,495,371
Net assets at the end of the year $12,034,334 $1,050,020 $1,220,296 $14,304,650

See notes to consolidated financial statements.
## Princeton University
### Consolidated Statements of Cash Flows
### Years ended June 30, 2007 and 2006

**(dollars in thousands)**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$2,811,189</td>
<td>$1,809,279</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>83,239</td>
<td>94,261</td>
</tr>
<tr>
<td>Amortization of bond issuance costs and premiums</td>
<td>(7,800)</td>
<td>(1,667)</td>
</tr>
<tr>
<td>Property gifts-in-kind</td>
<td>(1,606)</td>
<td>(17,656)</td>
</tr>
<tr>
<td>Adjustments to planned giving agreements</td>
<td>(15,331)</td>
<td>(10,182)</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>(1,415,211)</td>
<td>(1,196,474)</td>
</tr>
<tr>
<td>Unrealized appreciation on investments</td>
<td>(1,253,359)</td>
<td>(664,206)</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>3,261</td>
<td>7,031</td>
</tr>
<tr>
<td>Increase in value of assets held in trust by others</td>
<td>(15,335)</td>
<td>(5,352)</td>
</tr>
<tr>
<td>Contributions received for long-term investment</td>
<td>(181,880)</td>
<td>(192,246)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in operating assets</td>
<td>(7,489)</td>
<td>7,785</td>
</tr>
<tr>
<td>Increase in operating liabilities</td>
<td>84,973</td>
<td>66,590</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>$84,651</td>
<td>(102,837)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007 (dollars in thousands)</th>
<th>2006 (dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant, and equipment</td>
<td>(236,640)</td>
<td>(186,987)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant, and equipment</td>
<td>4,738</td>
<td>5,390</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(6,985,097)</td>
<td>(5,687,743)</td>
</tr>
<tr>
<td>Proceeds from maturities/sales of investments</td>
<td>6,695,515</td>
<td>5,793,273</td>
</tr>
<tr>
<td><strong>Net cash used by investing activities</strong></td>
<td>(521,484)</td>
<td>(76,067)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007 (dollars in thousands)</th>
<th>2006 (dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of indebtedness to third parties</td>
<td>523,613</td>
<td>92,925</td>
</tr>
<tr>
<td>Payment of debt principal</td>
<td>(234,235)</td>
<td>(46,563)</td>
</tr>
<tr>
<td>Contributions received for long-term investment</td>
<td>132,745</td>
<td>114,472</td>
</tr>
<tr>
<td>Transactions on planned giving agreements</td>
<td>15,081</td>
<td>16,867</td>
</tr>
<tr>
<td>Net additions (repayments) under federal loan programs</td>
<td>179</td>
<td>(2,047)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>437,383</td>
<td>175,654</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007 (dollars in thousands)</th>
<th>2006 (dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>2007 (dollars in thousands)</td>
<td>2006 (dollars in thousands)</td>
</tr>
<tr>
<td>Cash at end of year</td>
<td>$3,830</td>
<td>$3,280</td>
</tr>
</tbody>
</table>

Supplemental disclosures:

<table>
<thead>
<tr>
<th></th>
<th>2007 (dollars in thousands)</th>
<th>2006 (dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$38,329</td>
<td>$39,532</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
Princeton University
Notes to Consolidated Financial Statements

Years ended June 30, 2007 and 2006

Nature of operations

Princeton University (hereafter referred to as 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 4,800 undergraduates and 2,300 graduate students in more than 60 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 1,200, including visitors and part-time appointments.

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 and two foundations 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 Organizations. Relevant pronouncements of the FASB include Statements of Financial Accounting Standards (“SFAS”) No. 116, Accounting for Contributions Received and Contributions Made, and SFAS No. 117, Financial Statements of Not-for-Profit Organizations, issued by the Financial Accounting Standards Board.

Under SFAS No. 116, 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 present-valued 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 and the balance as a gift of either temporarily or permanently restricted net assets.

SFAS No. 117 prescribes the standards for external financial statements and requires not-for-profit organizations to prepare a statement of financial position (balance sheet), a statement of activities, and a statement of cash flows. It requires 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. Changes 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 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 statement of activities. Actual results could differ from such estimates.

Except as set forth elsewhere in these notes, the University’s other financial instruments are carried in the balance sheet at amounts that approximate their fair values.

New accounting pronouncements

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This interpretation prescribes a recognition and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, disclosure, and transitions and is effective for fiscal years beginning after December 15, 2007.

In September 2006, the FASB issued Statement No.157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value management. This statement is effective for fiscal years beginning after November 15, 2007.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. This statement permits all entities to choose, at specified election dates, to measure eligible items at fair value (the “fair value option”). Unrealized gains and losses on items for which the fair value option has been elected shall be reported in the statement of
activities or similar statement. This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007.

Management is evaluating the impact of implementing these pronouncements on the University’s financial statements.

**Investments**

All investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values. In addition, the University utilizes fair values for reporting other investments, primarily limited partnerships and derivatives.

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 where published market prices are not available is based on estimated values using discounted cash flow and other industry standard methodologies. Where applicable, independent appraisers and engineers assist in the valuation. The fair value of limited partnerships is estimated by management based on information provided by the respective general partners or a valuation committee. 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 at fair value at June 30, 2007 and 2006 is as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed portfolio:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity accounts</td>
<td>$ 8,229.3</td>
<td>$ 7,562.2</td>
</tr>
<tr>
<td>Fixed income accounts</td>
<td>958.4</td>
<td>1,119.5</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>6,497.0</td>
<td>4,357.0</td>
</tr>
<tr>
<td>Faculty and staff mortgages</td>
<td>277.3</td>
<td>260.3</td>
</tr>
<tr>
<td>Miscellaneous assets</td>
<td>580.0</td>
<td>320.0</td>
</tr>
<tr>
<td>Gross investments</td>
<td>16,542.0</td>
<td>13,619.0</td>
</tr>
<tr>
<td>Planned Giving investments</td>
<td>(235.9)</td>
<td>(241.3)</td>
</tr>
<tr>
<td>Bond proceeds awaiting drawdown</td>
<td>(346.5)</td>
<td>(114.4)</td>
</tr>
<tr>
<td>Due from brokers, net</td>
<td>83.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Working capital</td>
<td>(312.6)</td>
<td>(273.3)</td>
</tr>
<tr>
<td>Net investment portfolio</td>
<td>$ 15,730.0</td>
<td>$ 12,991.7</td>
</tr>
</tbody>
</table>

The Princeton University Investment Company (“PRINCO”) manages investments for the University and the two foundations that the University controls, The Robertson Foundation and the Stanley J. Seeger Hellenic Fund. PRINCO also manages accounts for certain affiliated organizations. The investment balances managed by PRINCO for these entities as of June 30, included in the University’s consolidated financial statements, are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Princeton University</td>
<td>$ 14,592.0</td>
<td>$ 12,061.2</td>
</tr>
<tr>
<td>The Robertson Foundation</td>
<td>894.1</td>
<td>755.0</td>
</tr>
<tr>
<td>Stanley J. Seeger Hellenic Fund</td>
<td>32.4</td>
<td>27.0</td>
</tr>
<tr>
<td>Deposits held in custody for others</td>
<td>211.5</td>
<td>148.5</td>
</tr>
<tr>
<td>Net investment portfolio</td>
<td>$ 15,730.0</td>
<td>$ 12,991.7</td>
</tr>
</tbody>
</table>

The composition of net investment return for the years ended June 30, 2007 and 2006 were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized and unrealized gains and (losses)</td>
<td>$ 2,668,570</td>
<td>$ 1,860,680</td>
</tr>
<tr>
<td>Interest, dividends, and other income</td>
<td>435,686</td>
<td>198,790</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,104,256</td>
<td>$ 2,059,470</td>
</tr>
</tbody>
</table>

The University follows a spending rule for its endowment funds, 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 as nonoperating revenue.

As of June 30, 2007 and 2006, the University had loaned certain securities, returnable on demand, with a market value of $188.6 and $188.7 million, respectively, to several financial institutions that have deposited collateral with respect to such securities of $194.0 and $193.9 million, respectively. The University receives income on the invested collateral, and also continues to receive interest and dividends from the securities on loan. In accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, the securities loaned are shown as an asset labeled securities pledged to creditors and the obligation to return the collateral is shown as a liability labeled payable under securities lending agreements on the Consolidated Statements of Financial Position.

As part of its investment strategy, the University enters into a variety of financial instruments and strategies, including futures, swaps, options, short sales, and forward foreign currency exchange contracts. In all cases except forward foreign currency exchange and swap contracts, these...
transactions are traded through securities and commodities exchanges. The forward foreign currency exchange and swap contracts are executed with credit-worthy banks and brokerage firms. The University enters into equity swap contracts to limit the University’s exposure to market value fluctuations of domestic equity securities held in limited partnerships. At June 30, 2007 and 2006 there were no swaps outstanding.

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 investments and are collateralized by mortgages on those properties.

Bond proceeds awaiting drawdown in the amount of $346.5 million and $114.4 million at June 30, 2007 and 2006, respectively, are included in investments and are restricted as to use.

Educational loans

Educational loans receivable at June 30, 2007 and 2006 are reported net of allowances for doubtful loans of $0.7 million and $1.1 million, respectively. Determination of the fair value of educational loans receivable could not be made without incurring excessive costs. These 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.

Promises to give

At June 30, 2007 and 2006 the University had received from donors unconditional promises to give contributions of amounts receivable in the following periods (in thousands):

<table>
<thead>
<tr>
<th>Period</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$38,932</td>
<td>$36,101</td>
</tr>
<tr>
<td>One to five years</td>
<td>169,177</td>
<td>134,067</td>
</tr>
<tr>
<td>More than five years</td>
<td>41,462</td>
<td>64,967</td>
</tr>
<tr>
<td>Total</td>
<td>249,571</td>
<td>235,135</td>
</tr>
<tr>
<td>Less unamortized discount and reserve</td>
<td>37,155</td>
<td>30,964</td>
</tr>
<tr>
<td>Net amount</td>
<td>$212,416</td>
<td>$204,171</td>
</tr>
</tbody>
</table>

The amounts promised have been discounted at a risk-free rate to take into account the time value of money. Current year promises are included in revenue as additions to temporarily or permanently restricted net assets, as determined by the donors.

In addition, at June 30, 2007, the University has received from donors promises to give $5.1 million, which are 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.

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 $115.1 million in 2007 and $99.8 million in 2006.

Property

Land additions subsequent to June 30, 1973, are reported at estimated market value at the date of gift, in the case of gifts, and at cost in all other cases. Land acquired through June 30, 1973, is carried at estimated value at that date, computed using municipal tax assessments because it was not practicable to determine historical cost or the market value at the date of gift.

Buildings and improvements are stated at cost. Expenditures for operation and maintenance of physical plant are expensed as incurred.

Items classified as other property at June 30, 2007 and 2006 consist of the following (in thousands):

<table>
<thead>
<tr>
<th>Category</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$224,930</td>
<td>$222,367</td>
</tr>
<tr>
<td>Rare books</td>
<td>70,940</td>
<td>68,444</td>
</tr>
<tr>
<td>Library books, periodicals, and bindings</td>
<td>218,938</td>
<td>203,957</td>
</tr>
<tr>
<td>Fine arts objects</td>
<td>72,878</td>
<td>71,528</td>
</tr>
<tr>
<td>Total</td>
<td>$587,686</td>
<td>$566,296</td>
</tr>
</tbody>
</table>

Equipment, rare books, and 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 purchases with University funds, the University, since its inception, has received a substantial number of fine arts 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.

In 2006 the University adopted the use of componentized depreciation for buildings and building improvements used for research. The costs of research facilities were separated into building shell, service system and fixed equipment components which were separately depreciated. The effect of the change in the estimated useful lives of these components was an increase in depreciation expense of $21.5 million for the year ended June 30, 2006.

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.

Conditional asset retirement obligations

In March 2005, the FASB issued Interpretation No. 47 ("FIN No. 47"), Accounting for Conditional Asset Retirement Obligations. Under FIN No. 47, 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. FIN No. 47 requires that the estimate be recorded as a liability and as an increase to the asset, and the capitalized portion depreciated over the remaining useful life of the asset. Since the assets are now substantially depreciated, the full amount of the estimated asset retirement obligation of $15.5 million was expensed at July 1, 2005, and is shown as a cumulative effect of change in accounting principle. Accretion expense on the asset retirement obligation was $0.7 million and $0.7 million for the years ended June 30, 2007 and 2006, respectively. The asset retirement obligation which is included in accrued liabilities was $15.0 million and $15.1 million at June 30, 2007 and 2006, respectively.

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.

Indebtedness to third parties

At June 30, 2007 and 2006 the University’s debt consists of loans through the New Jersey Educational Facilities Authority (NJEDA), commercial paper, various parental loans with the Student Loan Marketing Association (Sallie Mae) and a local bank, a note with a local bank, and various mortgages as follows (in thousands):

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>NJEDA Revenue Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1, 1998 Series E, 4.87%, due July 2007, net of unamortized discount of $0 and $5</td>
<td>$ –</td>
<td>$555</td>
</tr>
<tr>
<td>February 15, 1999 Series A, 4.80%, due July 2029, net of unamortized discount of $64 and $206</td>
<td>5,661</td>
<td>28,644</td>
</tr>
<tr>
<td>July 15, 1999 Series B, 4.75%, due July 2009, net of unamortized discount of $51 and $76</td>
<td>4,514</td>
<td>6,619</td>
</tr>
<tr>
<td>June 15, 2000 Series E, 5.21%, due July 2010, net of unamortized discount of $69 and $92</td>
<td>6,556</td>
<td>8,508</td>
</tr>
<tr>
<td>October 15, 2000 Series H, 5.23%, due July 2027, net of unamortized discount of $150 and $299</td>
<td>6,375</td>
<td>18,801</td>
</tr>
<tr>
<td>October 17, 2001 Series B, variable rate, due July 2022</td>
<td>83,200</td>
<td>87,000</td>
</tr>
<tr>
<td>July 26, 2002 Series B, variable rate, due July 2023</td>
<td>86,965</td>
<td>90,465</td>
</tr>
<tr>
<td>June 26, 2003 Series E, 3.94%, due July 2028, including unamortized premium of $4,197 and $5,096</td>
<td>71,207</td>
<td>85,131</td>
</tr>
<tr>
<td>August 6, 2003 Series F, variable rate, due July 2024</td>
<td>66,375</td>
<td>69,335</td>
</tr>
<tr>
<td>September 18, 2003 Series D, 3.73%, due July 2019, including unamortized premium of $8,218 and $8,902</td>
<td>98,638</td>
<td>106,982</td>
</tr>
<tr>
<td>July 21, 2004 Series D, 4.50%, due July 2029, including unamortized premium of $3,744 and $7,903</td>
<td>50,199</td>
<td>144,123</td>
</tr>
<tr>
<td>March 18, 2005 Series A, 4.40%, due July 2030, including unamortized premium of $5,132 and $8,125</td>
<td>140,867</td>
<td>145,955</td>
</tr>
<tr>
<td>August 8, 2005 Series B, 4.24%, due July 2035, including unamortized premium of $2,079 and $2,888</td>
<td>87,439</td>
<td>115,753</td>
</tr>
<tr>
<td>June 22, 2006 Series D, 4.39%, due July 2031, including unamortized premium of $904 and $942</td>
<td>75,194</td>
<td>75,232</td>
</tr>
<tr>
<td>August 3, 2006 Series E, 4.50%, due July 2027, including unamortized premium of $96</td>
<td>92,831</td>
<td>–</td>
</tr>
</tbody>
</table>
June 6, 2007 Series E, 4.53%, due July 2037, including unamortized premium of $5,156 –
May 22, 2007 Series F, 4.39%, due July 2030, including unamortized premium of $919 –

**NJEFA Dormitory Safety Trust Fund Bonds**
August 14, 2001 Series A, 4.24%, due January 2016 7,490 8,322

**NJEFA Equipment Leasing Fund Bonds**
October 11, 2001 Series A, 3.09%, due August 2009 26 34

**NJEFA Capital Improvement Fund Bonds**
August 1, 2000 Series A, 5.72%, due August 2020 1,647 1,725
**Commercial Paper**
12,680 20,500

**Parental Loans**
44,428 45,513

**Notes**
2,248 2,432

**Mortgage**
112 140

Total $ 1,343,347 $ 1,061,769

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. The University intends to issue additional bonds in the future.

The University issued the 2006 Series E and 2007 Series F bonds in order to reduce the University’s overall interest costs. The proceeds were used to refund portions of several previously issued NJEFA Series bonds and to pay the costs of issuance of the refunding bonds. In connection with these refundings the accompanying Statement of Activities includes a decrease in unrestricted net assets of $3.4 million for the year ended June 30, 2007, to account for the unamortized costs of issuance and original issue discounts of the refunded bonds.

The NJEFA loan agreements entered into through 1998 contain certain restrictive covenants with which the University must comply. Specifically, the ratio of available assets to general liabilities, as defined in the loan agreements, shall be equal to at least two to one. Also, the University pledges tuition and fees received from all students up to an amount equal to one and one half times the maximum annual debt service on outstanding NJEFA bonds issued through 1998, in addition to the full faith and credit of the University. The University was in compliance with these covenants at June 30, 2007. For NJEFA loan agreements entered into subsequent to 1998, the full faith and credit of the University is pledged.

Loans with the Student Loan Marketing Association (Sallie Mae) are used for the parental loan program. At June 30, 2007 and 2006, the amounts outstanding were $5.7 and $8.3 million, respectively, at rates ranging from 5.3% to 8.2%. As collateral, the University pledges these parent loans and additional student loans for which Sallie Mae provides a second market. In fiscal 1999 the University entered into a loan facility with a local bank to provide funding currently authorized up to $70 million for the parental loan program. Terms to the borrowers are similar to the Sallie Mae program in that fixed or variable rates may be selected on a pass-through basis; terms may be as long as 14 years. At June 30, 2007 and 2006, the balances outstanding were $38.7 and $37.2 million, respectively, at rates ranging from 4.3% to 7.4%.

In fiscal year 1998 a commercial paper program was authorized as an initial step of a financing proposal to provide construction funds for several approved capital projects. The proceeds have permitted construction to proceed until permanent financing from gifts or other sources has been made available. The program has been authorized to a maximum level of $120 million. At June 30, 2007 and 2006, $12.7 million and $20.5 million, respectively, were issued through the NJEFA on a tax-exempt basis to the investors. Maturities of the debt were from 15 to 119 days, and the nominal interest rates at June 30, 2007 and 2006 were 3.7% and 3.5%, respectively.

Principal payments for each of the next five years and thereafter on debt outstanding at June 30, 2007, excluding commercial paper, are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 48,881</td>
</tr>
<tr>
<td>2009</td>
<td>45,756</td>
</tr>
<tr>
<td>2010</td>
<td>46,820</td>
</tr>
<tr>
<td>2011</td>
<td>48,971</td>
</tr>
<tr>
<td>2012</td>
<td>48,497</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$1,061,632</td>
</tr>
</tbody>
</table>

Subtotal 1,300,557
Unamortized premium 30,110
Net long-term debt $ 1,330,667

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, 2007, the carrying value and the estimated fair value of the University’s long-term debt, excluding commer-
cial paper, were $1,330.7 million and $1,355.8 million, respectively. At June 30, 2006, the carrying value and the estimated fair value of the University’s long-term debt, excluding commercial paper, were $1,041.3 million and $1,058.0 million, respectively.

The University has a discretionary bank line of credit totaling $50 million, including letters of credit, under which the University may borrow on an unsecured basis at agreed upon rates. There were $11.1 million and $10.3 million in letters of credit outstanding under this facility at June 30, 2007 and 2006, respectively.

**Employee benefit plans**

All faculty and staff who meet specific employment requirements participate in a defined contribution plan, which participates in the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). The University’s contributions were $38.1 million and $35.9 million for the years ended June 30, 2007 and 2006, respectively. The defined contribution plan permits employee contributions.

**Postretirement benefits other than pensions**

In September 2006 the FASB issued SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB No.106, *Accounting for Postretirement Benefits Other Than Pensions*. SFAS No. 158 requires the recognition of a defined benefit postretirement plan’s funded status as either an asset or liability on the statement of financial position. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains or losses and prior service costs or credits that arise during the period as a component of unrestricted net assets. The University continues to apply the provisions of SFAS No. 106 in calculating its Accumulated Postretirement Benefit Obligation (“APBO”) which it initially elected in 1993 to amortize over 20 years. The transition obligation remaining from the initial application of SFAS No. 106 must, however, be recognized upon the initial application of SFAS No. 158. The University adopted SFAS No. 158 effective June 30, 2007, which resulted in a net decrease in unrestricted net assets of $18.7 million. Under the ongoing provisions of SFAS No. 106, 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, 2007 and 2006 consist of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$ 8,709</td>
<td>$ 8,587</td>
</tr>
<tr>
<td>Interest cost</td>
<td>12,895</td>
<td>10,925</td>
</tr>
<tr>
<td>Total</td>
<td>$24,978</td>
<td>$23,283</td>
</tr>
</tbody>
</table>

The APBO at June 30, 2007 and 2006 consisted of actuarially determined obligations to the following categories of employees (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees</td>
<td>$ 86,359</td>
<td>$ 85,231</td>
</tr>
<tr>
<td>Fully eligible active employees</td>
<td>61,790</td>
<td>54,589</td>
</tr>
<tr>
<td>Other active participants</td>
<td>73,885</td>
<td>70,234</td>
</tr>
<tr>
<td>Total</td>
<td>$222,034</td>
<td>$210,054</td>
</tr>
</tbody>
</table>

**Reconciliation of funded status at June 30, 2007 and 2006 (in thousands):**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated postretirement benefit obligation and funded status</td>
<td>$222,034</td>
<td>$210,054</td>
</tr>
<tr>
<td>Unrecognized transition obligation</td>
<td>–</td>
<td>(20,243)</td>
</tr>
<tr>
<td>Unrecognized net gain (loss)</td>
<td>–</td>
<td>(9,842)</td>
</tr>
<tr>
<td>Accrued postretirement benefit expense</td>
<td>$222,034</td>
<td>$179,969</td>
</tr>
</tbody>
</table>

Assumed discount rates of 6.25% and 6.25% were used to calculate the APBO at June 30, 2007 and 2006, respectively. The assumed health care cost trend rates used to calculate the APBO at June 30, 2007, were 9.8% for prescription drug claims, declining by 0.8% per year until the long-term trend rate of 5.0% is reached, and 6.5% for medical claims, declining by 0.25% per year until the long-term trend rate of 5.0% is reached. At June 30, 2006, the assumed health care cost trend rates were 10.6% for prescription drug claims, declining by 0.8% per year until the long-term trend rate of 5.0% is reached, and 6.75% for medical claims, declining by 0.25% per year until the long-term trend rate of 5.0 is reached. An increase of 1% in the cost trend rate would raise the APBO to $259.1 million and $245.1 million and cause the service and interest cost components of the net periodic cost to be increased by $4.7 million and $4.6 million for the years ended June 30, 2007 and 2006, respectively.
A decrease of 1% in the cost trend rate would decrease the APBO to $192.2 million and $181.9 million and cause the service and interest cost components of the net period cost to be decreased by $3.6 million and $3.5 million for the years ended June 30, 2007 and 2006, respectively.

Postretirement plan benefit payments for fiscal years 2008 through 2012 are expected to range from $7.4 million to $10.2 million per year, with aggregate expected payments of $65.3 million for fiscal years 2013 through 2017. These amounts reflect the total benefits expected to be paid from the plan and exclude the participants’ share of the cost. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

The University has applied for and is receiving the Federal subsidy as provided for in the Medicare Modernization Act (MMA), and has recognized the effect of the MMA in the calculation of its postretirement benefit obligation as of June 30, 2007 and 2006.

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, library and art museum, building construction and other specific 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-specified 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.

Commitments and contingencies

At June 30, 2007, the University had authorized major renovation and capital construction projects for more than $533 million including Whitman College ($136 million), Lewis Library ($74 million), Butler College ($88 million) Madison Hall ($36 million), and health/safety improvements ($43 million). Of the total, approximately $281 million had not yet been expended. Also, the University is obligated under certain limited partnership agreements to advance additional funding periodically up to specified levels. At June 30, 2007, the University had unfunded commitments of $5.4 billion. Such commitments are generally called over periods of up to 10 years and contain fixed expiration dates or other termination clauses.

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 is $6.7 million at June 30, 2007.

In July 2002, three members of the Robertson Foundation Board of Trustees and another Robertson family member (collectively the “Family Trustees”) commenced a lawsuit against the University and the remaining four Foundation board members, one of whom is the President of the University and the other three appointed by the President (collectively the “University Trustees”). The complaint alleged that the University Trustees have breached their fiduciary duty to the Robertson Foundation by developing “a scheme to transfer control of the investment of the Foundation’s assets to Princeton University Investment Company [PRINCO].” Additional claims include those pertaining to operational aspects and funding of the Woodrow Wilson School’s graduate program. The Family Trustees’ requested remedies included having the University removed from effective control of the Robertson Foundation (whose assets totaled approximately $894 million at June 30, 2007), thereby enabling the Foundation to support other educational institutions. An amended complaint was filed by the plaintiffs in November 2004 containing additional counts, including fraud and breach of fiduciary duties, and additional remedies, including consequential and punitive damages, which could be material to the net asset categories in the University’s financial statements.

The University believes these claims are substantially without merit and is defending itself vigorously. In the spring of 2006, the University submitted five motions, four of which were for partial summary judgment and one to strike the plaintiffs’ demand for a jury trial. At that time,
the plaintiffs submitted two motions for partial summary judgment. On October 25, 2007, the trial judge issued his granting two of the University’s motions in their entirety, and another one in part, and denying two in their entirety. With respect to plaintiffs’ motions, the trial judge denied one in its entirety and granted another one in part. In sum, the rulings set the stage for a trial (which we expect will occur in 2008), but do not significantly alter the potential exposure of the University. The outcome at this time, however, cannot be determined.

The University is subject to certain other legal proceedings and claims that arise 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.

* * * * *
Trustees of the University

**Ex Officio**
President Shirley M. Tilghman
Governor Jon S. Corzine

**Trustees**
- Thomas A. Barron ’74 (2015)
- Dennis J. Brownlee ’74 (2011)
- YoungSuk C. Chi ’83 (2009)
- Janet M. Clarke ’75 (2008)
- Shelby M. C. Davis ’58 (2010)
- Carl Ferenbach III ’64 (2010)
- Charles DeW. Gibson ’65 (2010)
- C. Kim Goodwin ’81 (2008)
- Kathryn A. Hall ’80 (2017)
- Ellen D. Harvey ’76 (2010)
- Brent L. Henry ’69 (2009)
- Janet L. Holmgren *74 (2011)
- José L. Huizer *94 (2009)
- Rishi S. Jaitly ’04 (2008)
- Dennis J. Keller ’63 (2010)
- Randall Kennedy ’77 (2015)
- Peter B. Lewis ’55 (2013)
- Karen Magee ’83 (2011)
- Matthew J. T. Margolin ’05 (2009)
- Katherine Marshall *69 (2009)
- Heidi G. Miller ’74 (2014)
- Franklin H. Moss ’71 (2011)
- Robert S. Murley ’72 (2016)
- Nancy B. Peretsman ’76 (2015)
- Kimberly E. Ritrievi ’80 (2009)
- Louise S. Sams ’79 (2014)
- Mark Siegler ’63 (2010)
- Sonia Sotomayor ’76 (2011)
- Terdema L. Ussery II ’81 (2008)
- Brady P. Walkinshaw ’06 (2010)
- William H. Walton III ’74 (2011)
- Peter C. Wendell ’72 (2011)
- James Williamson ’07 (2011)

1 As of 12/01/07. The dates in parentheses refer to the end of the term as trustee. An asterisk indicates a graduate degree.
# Officers of the University

**President**
Shirley M. Tilghman

**Academic Officers**

*Provost*
Christopher L. Eisgruber ’83

*Dean of the Faculty*
David P. Dobkin

*Dean of the Graduate School*
William B. Russel

*Dean of the College*
Nancy Weiss Malkiel

*Dean for Research*
A. J. Stewart Smith

*Dean of the School of Engineering and Applied Science*
H. Vincent Poor *’77

*Dean of the Woodrow Wilson School of Public and International Affairs*
Anne-Marie Slaughter ’80

*Dean of the School of Architecture*
Stanley T. Allen *’88

*Dean of Religious Life and Dean of the Chapel*
Alison L. Boden

*Dean of Undergraduate Students*
Kathleen Deignan

*Dean of Admission*
Janet Lavin Rapelye

*University Librarian*
Karin A. Trainer

*Registrar*
Polly Winfrey Griffin

**Officers of the Corporation**

*Vice President and Secretary*
Robert K. Durkee ’69

*Executive Vice President*
Mark Burstein

*Vice President for Finance and Treasurer*
Christopher McCrudden

*Vice President for Development*
Brian J. McDonald ’83

*Vice President for Campus Life*
Janet Smith Dickerson

*Vice President for Facilities*
Michael E. McKay

*Vice President for Information Technology and Chief Information Officer*
Betty Leydon

*Vice President for Human Resources*
Lianne C. Sullivan-Crowley

*General Counsel*
Peter G. McDonough

*President of the Princeton University Investment Company*
Andrew K. Golden

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¹ As of 12/01/07. An asterisk indicates a graduate degree.
APPENDIX C

SUMMARIES OF CERTAIN DOCUMENTS
APPENDIX C

SUMMARIES OF CERTAIN DOCUMENTS

The following statements are brief summaries of the General Resolution, the 2008 Series J 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 2008 SERIES J 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 2008 Series J Series Resolution authorizes the 2008 Project and the issuance of the 2008 Series J Bonds and specifies the details of the 2008 Series J 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 2008 Series J 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 2008 Series J Series Resolution an account within the Revenue Fund to be designated the “2008 Series J Revenue Account”. Notwithstanding anything in the General Resolution to the contrary, moneys in the 2008 Series J 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 2008 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J Bonds and any other costs of the Authority with respect to the 2008 Project shall have been fully paid or provision for the payment thereof shall have been made as provided by the Resolution and the 2008 Series J 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 2008 Series J 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 2008 Series J Bonds and any other bonds issued and to be issued on a parity with the 2008 Series J 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, 2008 and for each Bond Year thereafter, an amount equal to the amount of interest on the 2008 Series J 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, 2009 and for each Bond Year thereafter, the amount of principal of the 2008 Series J Bonds Outstanding becoming due on the July 1 immediately succeeding the expiration of such Bond Year.

(c) For the Bond Year beginning July 1, 2008 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 2008 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, 2008 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 2008 Series J 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 is 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 2008 Series J Series Resolution.

**Insurance**

The University agrees that, with respect to Facility W, 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 2008 Series J Bonds on the date of such termination; (ii) accrued interest thereon to the date that the 2008 Series J 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 2008 Series J Bonds, the Resolution and the 2008 Series J 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 W.

(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.
APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT
CONTINUING DISCLOSURE AGREEMENT

by and between

THE TRUSTEES OF PRINCETON UNIVERSITY

and

THE BANK OF NEW YORK MELLON

Dated as of September 1, 2008

Entered into with respect to the
New Jersey Educational Facilities Authority
$250,000,000 Princeton University Revenue Bonds,
2008 Series J
CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Agreement”), made and entered into as of September 1, 2008, 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, 2008 Series J, dated September 25, 2008, in the aggregate principal amount of $250,000,000 (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 2008 Series J Series Resolution, adopted by the Authority on July 23, 2008 (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 September 1, 2008 (the “Loan Agreement”) whereby the Authority has loaned a portion of the proceeds of the Bonds to the University to finance the 2008 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, on September 10, 2008, the Authority accepted the bid of Wachovia Bank, National Association (the “Participating Underwriter”) for the purchase of the 2008 Series J 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.

“Central Post Office” shall mean, in accordance with the Securities and Exchange Commission Interpretative Letter dated September 7, 2004 (“Interpretative Letter”) regarding www.disclosureusa.org – Texas MAC’s Central Post Office, DisclosureUSA, an internet based filing system where issuers of tax-exempt bonds and other filers on behalf of such issuers can upload for immediate transmission to the Repositories information and notices required to be filed with the Repositories pursuant to continuing disclosure undertakings designed to assist underwriters in complying with Rule 15c2-12.

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

“Disclosure Event Notice” means the notice to the Repositories and 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.

“Final Official Statement” means the final Official Statement of the Authority dated September 10, 2008 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.

“National Repository” means a “nationally recognized municipal securities information repository” within the meaning of Rule 15c2-12. As of the date of this Agreement, the National Repositories designated by the SEC in accordance with Rule 15c2-12 are:

(a) **Bloomberg Municipal Repository**
    100 Business Park Drive
    Skillman, New Jersey 08558
    E-Mail: munis@bloomberg.com
    Website: www.bloomberg.com/markets/rates/municontacts.html
    Phone: (609) 279-3225
    FAX: (609) 279-5962

(b) **DPC Data Inc.**
    One Executive Drive
    Fort Lee, New Jersey 07024
    E-Mail: nrmsir@dpcdata.com
    Website: www.Munifilings.com
    Phone: (201) 346-0701
    FAX: (201) 947–0107

(c) **Interactive Data Pricing and Reference Data, Inc.**
    100 William Street, 15th Floor
    New York, New York 10038
    Attn: NRMSIR
    E-Mail: nrmsir@interactivelydata.com
    Website: www.interactivelydata-prd.com
    Phone: (212) 771-6999
    FAX: (212) 771-7390

(d) **Standard & Poor's Securities Evaluations, Inc.**
    55 Water Street, 45th Floor
    New York, New York 10041
    E-Mail: nrmsir_repository@sandp.com
    Website: www.disclosuredirectory.standardandpoors.com
    Phone: (212) 438-4595
    FAX: (212) 438-3975
“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.

“Repository” means each National Repository and each State Depository.

“State” means the State of New Jersey.

“State Depository” means any public or private repository or entity designated by the State as a state information depository for purposes of Rule 15c2-12. As of the date of this Agreement, there is no State Depository.

“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, 2008, an Annual Report to each Repository, 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 each Repository, to the Trustee and to the Authority, audited Financial Statements for the University.

(d) In a timely manner, to each National Repository or to the MSRB and the State Depository, if any, to the Trustee and to the Authority, notice of any of the following events with respect to the Bonds, if material (each a “Disclosure Event”):

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(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 or events affecting the tax-exempt status of the Bonds;

(vii) Modifications to rights of holders of the Bonds;

(viii) Bond calls (other than regularly scheduled mandatory sinking fund redemptions);

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds; or
(xi) Rating changes.

(e) In a timely manner, to each National Repository or to the MSRB and the State Depository, if any, 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 an independent certified public accountant (currently Deloitte & Touche LLP, Philadelphia, Pennsylvania) 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.

(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 that have been submitted to each of the Repositories or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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 each National Repository or with the MSRB and the State Depository, if any (the “Disclosure Event Notice”), in the form provided by the University; provided, that the Disclosure Event Notice pertaining to the occurrence of a Disclosure Event described in clause 2.1(d)(viii) (Bond calls) or 2.1(d)(ix) (Defeasances) hereof need not be given under this Section 2.4 any earlier than the time when the notice (if any) of such Disclosure Event shall be given to holders of affected Bonds as provided in Sections 3.03 and 11.03 of the General Resolution, respectively. The obligations of the University or the Dissemination Agent (if engaged by the University) to provide the notices to each National Repository or to the MSRB and the State Depository, if any, as the case may be, 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):

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Depository, if any; and

(ii) 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 and listing all of the Repositories to which it was provided.

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.

Section 2.7. Central Post Office. Notwithstanding anything herein contained to the contrary, the University and the Dissemination Agent, respectively, may file, or cause to be filed, with the Central Post Office, by transmitting such filing to the Texas Municipal Advisory
Council (the “MAC”) as provided at www.disclosureusa.org, the Annual Report, and any notices necessary to be filed hereunder in lieu of making such filings with the Repositories for so long as the filing of the Annual Reports and notices with the Central Post Office is an undertaking described in paragraph (b)(5)(i) of Rule 15c2-12, as determined by the SEC in the Interpretative Letter. The Dissemination Agent may assume that the Interpretative Letter is in full force and effect unless (a) advised by the University to the contrary or (b) the Dissemination Agent has actual knowledge that the Interpretative Letter has been withdrawn or revoked.
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 and any purchaser of the Bonds (including 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 and any purchaser of the Bonds through the ownership of voting securities, by contract or otherwise (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 principal corporate trust office at 385 Rifle Camp Road, Corporate Trust Department, West Paterson, 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 each of the Repositories 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 each National Repository or to the MSRB and the State Depository, if any. 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. 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: __________________________
Christopher McCrudden
Vice President for Finance and Treasurer

ATTEST:

Name: __________________________
Title: __________________________

THE BANK OF NEW YORK MELLON

By: __________________________
Vice President
APPENDIX E

FORM OF OPINION OF BOND COUNSEL
Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of $250,000,000 Princeton University Revenue Bonds, 2008 Series J (the “Bonds”), of the New Jersey Educational Facilities Authority (the “Authority”), 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 2008 Series J Series Resolution, adopted on July 23, 2008 (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.

We have examined a certified copy of the Resolution and an executed copy of the Loan Agreement dated as of September 1, 2008 (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 2008 Project (as defined in the Agreement). We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for purposes of the opinions expressed below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, when relevant facts were not independently established, we have relied upon said instruments, certificates and documents. We have also examined and relied upon the opinion of even date herewith of Peter G. McDonough, Esq., General Counsel to the University, as to certain matters concerning the University.

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 Bonds in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under Section 103 of the Code. The Authority and the University have covenanted to comply with the provisions of the Code applicable to the Bonds and have covenanted not to take any action or permit any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be an item of tax preference under Section 57 of the Code. We have assumed continuing compliance by the Authority and the University with the above covenants in rendering our 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. Based upon existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding any other federal income tax consequences arising with respect to the Bonds.

6. 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.

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,