

BOARD OF GOVERNORS
Rutgers, The State University of New Jersey

April 9, 2019

12:00 p.m. - open session / 12:05 p.m. - closed session / 1:00 p.m. - open session
Paul Robeson Campus Center, 350 Martin Luther King Jr. Boulevard, Newark, New Jersey

Agenda

1. CALL TO ORDER
2. STATEMENT OF COMPLIANCE WITH THE OPEN PUBLIC MEETINGS ACT
3. ROLL CALL (taken while meeting continues)
4. RESOLUTION TO CONDUCT CLOSED SESSION – April 9, 2019
5. CLOSED SESSION
6. RESUMPTION OF OPEN SESSION
7. MATTERS PRESENTED BY THE PRESIDENT
8. MATTERS PRESENTED BY THE CHAIR
 - a. Open Hearing on the University’s Tuition, Fees, and Housing and Dining Charges for 2019-2020
9. RESOLUTION RECOGNIZING 2019 NCAA NATIONAL CHAMPION ANTHONY ASHNAULT AND HIS DISTINGUISHED RUTGERS WRESTLING CAREER
10. RESOLUTION RECOGNIZING 2019 NCAA NATIONAL CHAMPION NICK SURIANO
11. REPORT OF THE RUTGERS UNIVERSITY–NEWARK CHANCELLOR
12. COMMITTEE ON ACADEMIC AND STUDENT AFFAIRS – March 12, 2019
 - a. Proposed Recommendation for Award of Honorary Degrees and Commencement Speakers at Rutgers University–Camden in May 2019
 - b. Proposed Recommendation for Award of Honorary Degrees and Commencement Speakers at Rutgers University–New Brunswick in May 2019
13. COMMITTEE ON HEALTH AFFAIRS – March 7, 2019
14. COMMITTEE ON INTERCOLLEGIATE ATHLETICS – March 26, 2019
15. COMMITTEE ON FINANCE AND FACILITIES – March 12, 2019
16. CONSENT AGENDA
 - a. Approval of Minutes of the Board of Governors – February 12, 2019
 - b. Proposed Recommendation to Membership on the Board of Managers of the New Jersey Agricultural Experiment Station
 - c. Committee on Academic and Student Affairs – March 12, 2019
 - (1) Faculty Appointment Recommendations
 - (2) Faculty Reappointment and Promotion Recommendations
 - (3) Proposed Resolution on the Creation of the Charles A. DeMarzo and Keith A. Lamb Endowed Chair in Educational Equity
 - d. Committee on Audit – January 10, 2019
 - (1) Proposed Resolution Reappointing KPMG as the University’s External Auditors and Engaging KPMG to Perform Audit Services for the Fiscal Year Ending June 30, 2019, and Proposed Audit Services/Fees (Engagement Letter) for the June 30, 2019 Examination
 - e. Committee on Finance and Facilities – March 12, 2019
 - (1) Proposed Resolution Amending the Project Resolution Approving Upgrades to the Co-Generation Plant on the Newark Health Sciences Campus
 - (2) Proposed Resolution Amending the Project Resolution Approving Upgrades to the Co-Generation Plant on the Busch Campus
 - (3) Proposed Resolution Amending the Board of Governors Resolution of October 4, 2018 and Authorizing Rutgers, The State University of New Jersey to Issue and Sell a Note to the New Jersey Infrastructure Bank Pursuant to the New Jersey Environmental Infrastructure Bank Construction Financing Program
 - f. Committee on Health Affairs – March 7, 2019
 - (1) Minutes of the University Behavioral Health Care Leadership Committee Meetings of December 18, 2018 and January 22, 2019
 - (2) Proposed University Behavioral Health Care Staff Appointments, Reappointments and Clinical Privileges of January 22, 2019 and February 19, 2019
 - (3) University Behavioral Health Care Quality Improvement Reports for the Third and Fourth Quarters of 2018
17. REPORT OF THE EXECUTIVE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION AND UNIVERSITY TREASURER
 - a. Joint Committee on Investments – February 20, 2019
18. REPORT OF THE UNIVERSITY SENATE
19. OLD BUSINESS
20. NEW BUSINESS
21. ADJOURNMENT



RESOLUTION
CREATING THE CHARLES A. DEMARZO AND KEITH A. LAMB
ENDOWED CHAIR IN EDUCATIONAL EQUITY

WHEREAS, the quality of the faculty is the most enduring hallmark of a great institution, and an endowed chair provides a singular opportunity to recognize and sustain innovative intellectual work; and

WHEREAS, a generous gift has been given by the Charles A. DeMarzo and Keith A. Lamb Trust to create an endowed chair in educational equity; and

WHEREAS, the DeMarzo-Lamb Chair in Educational Equity is designed to honor, retain, or recruit eminent scholars in the field of education for service on the faculty of the University; and

WHEREAS, the creation of the DeMarzo-Lamb Chair in Educational Equity has been recommended by Interim Dean of the Graduate School of Education Clark A. Chinn, Rutgers University–New Brunswick Chancellor Christopher Molloy, Senior Vice President for Academic Affairs Barbara A. Lee, and University President Robert L. Barchi; and

WHEREAS, on March 12, 2019, the Committee on Academic and Student Affairs of the Board of Governors endorsed the establishment of the DeMarzo-Lamb Chair in Educational Equity and recommended approval by the full Board of Governors.

NOW, THEREFORE, BE IT RESOLVED that, upon the recommendation of the Committee on Academic and Student Affairs, the Board of Governors of Rutgers, The State University of New Jersey, approves the creation of the Charles A. DeMarzo and Keith A. Lamb Chair in Educational Equity; and

BE IT FURTHER RESOLVED that the Board of Governors of Rutgers, The State University of New Jersey, expresses its deep appreciation to the Charles A. DeMarzo and Keith A. Lamb Trust for the establishment of this chair.

Board of Governors
Rutgers, The State University
of New Jersey
April 9, 2019



**RESOLUTION
REAPPOINTING KPMG LLP
AS THE UNIVERSITY'S EXTERNAL AUDITORS
AND ENGAGING KPMG TO PERFORM AUDIT SERVICES FOR
THE FISCAL YEAR ENDING JUNE 30, 2019**

WHEREAS, on January 10, 2019, the members of Rutgers, The State University of New Jersey's Board of Governors' Committee on Audit were provided with the KPMG LLP letter of engagement dated February 3, 2019 (attached); and

WHEREAS, this engagement letter describes the proposed scope and fee structure for KPMG's audit services to perform the following audits of Rutgers University: (i) the examination of the University's financial statements for the fiscal year ending June 30, 2019, (ii) audits in accordance with the provisions of the single audit policies for recipients of federal grants, state grants and state aid, more particularly Title 2 U.S. Code of Federal Regulations Part 200 ("Federal Uniform Guidance") and New Jersey OMB Circular 15-08, and (iii) for the fiscal year ending June 30, 2019, agreed upon procedures to evaluate Rutgers' compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16 and the Division of Intercollegiate Athletics' internal control over financial reporting as well as Rutgers' compliance with the financial test of self-insurance under CFR Title 40, Part 280, Section 95(c)(5) of the United States Environmental Protection Agency in accordance with the applicable NCAA and EPA regulations; and

WHEREAS, this engagement letter describes the proposed scope and fee structure for KPMG to perform the following non-audit services for Rutgers University: (i) assisting management in preparing the financial statements and related notes in accordance with U.S. generally accepted accounting principles; and

WHEREAS, on January 10, 2019, the Committee on Audit met and discussed the proposed engagement letter and audit fees of KPMG as described in the aforementioned engagement letter, and the Committee agreed to accept the proposed scope and fee structure for their audit services as set forth in this letter; and

WHEREAS, the Committee members also agreed to authorize Ms. Heather Taylor, in her capacity as Chair of the Committee on Audit, and J. Michael Gower, Executive Vice President for Finance and Administration and University Treasurer, to sign the letter of engagement appointing KPMG as the University's external auditors and engaging KPMG to perform both audit and non-audit services for the fiscal year ending June 30, 2019 and recommended that the Board of Governors approve the engagement awards of KPMG as described above.

NOW, THEREFORE, BE IT RESOLVED that, upon the recommendation of the Committee on Audit, the Board of Governors of Rutgers, The State University of New Jersey, accepts KPMG's proposals as described above and in the attached engagement letter dated February 3, 2019 and approves KPMG's reappointment as the external audit firm to perform the examination of Rutgers University's financial statements, audits in accordance with Federal Uniform Guidance and New Jersey OMB Circular 15-08, and the agreed upon procedures for Rutgers' Intercollegiate Athletics Program and the United States Environmental Protection Agency's Letter for the fiscal year ending June 30, 2019; and

BE IT FURTHER RESOLVED that the Board of Governors authorizes Ms. Taylor and Mr. Gower to sign the letter of engagement appointing KPMG as the University's external auditors as described above and engaging KPMG to perform audit services and non-audit services for the fiscal year ending June 30, 2019.

Attachment: KPMG Engagement Letter Dated February 3, 2019

Board of Governors
Rutgers, The State University
of New Jersey
April 9, 2019

February 3, 2019

Rutgers, The State University of New Jersey
Old Queen's Building
New Brunswick, New Jersey 08903

Attention: Heather Taylor, *Chairman of the Audit Committee*

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to Rutgers, The State University of New Jersey (the University).

Objectives and Limitations of Services

Financial Statement Audit Services

You have requested that we audit the University's financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, based on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud, to provide a reasonable basis for our opinion on the financial statements. We also will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluate the overall financial statement presentation.

Our audit of the financial statements will be planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud, and noncompliance with laws and regulations may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Also, an audit is not designed to detect matters that are immaterial to the financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to detect abuse.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

We also understand that the financial statements will include a schedule of expenditures of Federal awards (SEFA), a schedule of expenditures of State of New Jersey awards (SESA) and other supplementary information which are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the University's financial statements addressed to the board of governors/board of trustees of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add emphasis-of-matter or other-matter paragraphs or withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the audit committee our reasons for modification or withdrawal.

If the University issues an annual report that is available to the public and the annual report contains the audited financial statements and our report thereon, management agrees to provide KPMG LLP (KPMG) a draft of such annual report prior to the report release date of the audited financial statements or, if that is not possible, as soon as practicable prior to the release of the annual report. We will read the other information contained in the annual report in order to identify material inconsistencies, if any, with the audited financial statements. However, we will not perform procedures to corroborate the other information.

Internal Control over Financial Reporting and Compliance and Other Matters

In making our risk assessments as part of planning and performing our audit of the financial statements, we will consider the University's internal control relevant to the preparation and fair presentation of the financial statements in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

The objective of our audit of the financial statements is not to report on the University's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial

statements. This report will include any material weaknesses and significant deficiencies to the extent they come to our attention, and this report will also include instances of:

- Fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;
- Noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or
- Abuse that is material, either quantitatively or qualitatively.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

Uniform Guidance and State of New Jersey OMB Circular 15-08 Audit Services

We will also perform audit procedures with respect to the University's major Federal and State of New Jersey programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance") and State of New Jersey, OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* (New Jersey OMB Circular 15-08). The Uniform Guidance and New Jersey OMB Circular 15-08 include specific audit requirements, mainly in the areas of internal control and compliance with Federal and State of New Jersey statutes, regulations, and the terms and conditions of Federal and State of New Jersey awards that may have a direct and material effect on each of the University's major Federal and State of New Jersey programs that exceed those required by *Government Auditing Standards*.

As part of our audit procedures performed in accordance with the provisions of the Uniform Guidance and New Jersey OMB Circular 15-08, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with Federal and State of New Jersey statutes, regulations, and the terms and conditions of Federal and State of New Jersey awards that may have a direct and material effect on each of the University's major Federal and State of New Jersey programs. The tests of internal control performed in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08 are less in scope than would be necessary to render an opinion on internal control.

We will perform tests of the University's compliance with Federal and State of New Jersey statutes, regulations, and the terms and conditions of Federal and State of New Jersey awards we determine to be necessary based on the *OMB Compliance Supplement* and New Jersey OMB *State Grant Compliance Supplement* (the Compliance Supplements). The procedures outlined in the Compliance Supplements are those suggested by each Federal and State of New Jersey agency and do not cover all areas of regulations governing each program. Program reviews by Federal or State of New Jersey agencies may identify additional instances of noncompliance.

In addition, we will prepare a written report (single audit report) which 1) provides our opinion on the University's compliance with Federal and State of New Jersey statutes, regulations, and the terms and conditions of Federal and State of New Jersey awards that may have a direct and material effect on each of its major Federal or State of New Jersey programs and 2) communicates our consideration of internal control over major Federal and State of New Jersey programs. The single audit report will describe its purpose and will state that it is not suitable for any other purpose.

The Federal Audit Clearinghouse requires the single audit reporting package, which includes the audited financial statements, to be submitted in a PDF format which is text searchable, unencrypted, and unlocked. This letter serves as the University's authorization for the submission of the reporting package in this format.

Offering Documents

Should the University wish to include or incorporate by reference these financial statements and our audit report thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our report on such financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the University wish to include or incorporate by reference these financial statements and our audit report thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our report on such financial statements, and we are not otherwise associated with the offering document, then the University agrees to include the following language in the offering document:

"KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the Audit Committee

We will report to the audit committee, in writing, the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audit.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to the audit committee and determine that the audit committee has received copies of all material written communications between ourselves and management. We will also determine that the audit committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the audit committee any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements, and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the financial statements.

Management Responsibilities

The management of the University acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for:

- a. Identifying and ensuring that the University complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any instances of noncompliance or suspected noncompliance with laws, regulations and provisions of contracts and grant agreements;
- b. Providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report within 10 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report, the report will indicate the status of management's responses;
- c. Distributing the reports issued by KPMG.

Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management of the University also acknowledges and understands that they have responsibility for the preparation of the SEFA, SESA and other supplementary information in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management of the University also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its Federal and State of New Jersey programs such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audits; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, the University will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

In relation to compliance with the program requirements applicable to its Federal and State of New Jersey programs, management acknowledges and understands its responsibility for:

- Identifying the University's government programs and understanding and complying with the compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance that the University administers government programs in compliance with the compliance requirements.
- Evaluating and monitoring the University's compliance with the compliance requirements.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit.

In addition to the Uniform Guidance and New Jersey OMB Circular 15-08 requirements to maintain internal control and comply with the compliance requirements applicable to Federal and State of New Jersey programs as discussed above, the Uniform Guidance and New Jersey OMB Circular 15-08 also requires the University to prepare a:

- Schedule of expenditures of Federal awards;
- Schedule of expenditures of State of New Jersey awards;
- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (Parts I and II).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the University.

Certain provisions of the Uniform Guidance and New Jersey OMB Circular 15-08 allow a granting agency to request that a specific program be selected as a major program provided that the Federal or State of New Jersey granting agency is willing to pay the incremental audit cost arising from such selection. The University agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this letter as necessary to accommodate such a request.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to May 1, 2019.

Non-audit service - Assistance in Preparing Financial Statements

We will assist management in preparing the financial statements and related notes in accordance with U.S. generally accepted accounting principles. We will use the draft financial statements provided by management to assist management in preparing the financial statements and related notes by providing word processing and reproduction assistance.

Our responsibility is to assist management in preparing the financial statements and related notes using the information provided by management. We will not assume management responsibilities on behalf of the University. However, we will provide advice and recommendations to assist management of the University in performing its responsibilities.

The University agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

Dispute Resolution

Any dispute or claim between the parties shall be submitted first to non-binding mediation and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("IICPR"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forgo litigation over such disputes in any court of competent jurisdiction.

Mediation shall take place at a location to be designated by the parties using Mediation Procedures of the IICPR, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New Brunswick, New Jersey and shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1, et seq. Party-selected arbitrators shall be selected from the lists of neutrals maintained by either the IICPR or by JAMS, Inc., but the chair of the arbitration panel does not have to be selected from those specific lists. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in IICPR Rule 13

(Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm, enforce or vacate any final award entered in arbitration, in any court of competent jurisdiction, provided that any party moving to enforce, confirm or vacate any such agreement or award, as the case may be, will file such motion under seal unless prohibited under applicable court rules. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This letter shall serve as the University's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the University and between KPMG and outside specialists or other entities engaged by either KPMG or the University. The University acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Except as permitted by law or as set forth in this paragraph, neither party shall acquire hereunder any right to use the name or logo of the other party or any part thereof, and any such use shall require the express written consent of the owner party. The University agrees that KPMG may list the University as a client in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "[Client] is an Audit client of KPMG LLP"). Further, for purposes of the services described in this letter only, the University hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the University solely for presentations or reports to the University or for internal KPMG presentations and intranet sites.

The University and KPMG acknowledge and agree that each shall comply with all applicable United States export control laws and regulations in the performance of each party's respective responsibilities under the Engagement Letter. Unless requested by KPMG to allow it to complete its audit, the University will not provide KPMG, or grant KPMG access to, (a) information (including technical data or technology), verbally, electronically, or in hardcopy, (b) software or (c) hardware, that is controlled for export by the United States government under the Arms Export Control Act of 1976, Export Administration Act of 1979, the International Traffic in Arms Regulations ("ITAR"), Export Administration Regulations ("EAR"), Department of Energy Part 810 Regulations or Nuclear Regulatory Commission Part 110 Regulations, except information, software or hardware that is classified as EAR99 under the EAR ("Export Controlled Information"). If KPMG requests Export Controlled Information from the University, the University shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

The audit documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the University's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to the University of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by the University, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or the University, the University shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

Pursuant to *Government Auditing Standards*, and subject to applicable provisions of laws and regulations, we are required to make certain audit documentation available in a full and timely manner to others, including regulators, upon request. In addition, we may also be requested to make certain audit documentation available to regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to the University that KPMG will treat the University's confidential information in accordance with applicable professional standards.

KPMG may work with and use the services of other members of the international KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms") to provide services to the University. In connection with the performance of services under this Engagement Letter, the KPMG Firms may, in their discretion, utilize the services of third party service providers within or outside of the United States to complete the services under this Engagement Letter. KPMG Firms and such third parties may have access to your confidential information from offshore locations. In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical, or analytical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

You also understand and agree that the KPMG Firms, with the assistance of third parties as outlined above, may use all the University's information for other purposes consistent with our professional standards, such as improving the delivery or quality of audit and other services or technology to you and to other clients, thought leadership projects, to allow you and other clients to evaluate various business transactions and opportunities, and for use in presentations to you, other clients and non-clients. When your information is used outside of the KPMG Firms or such third parties assisting them as outlined above, the University will not be identified as the source of the information.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

Additional Reports and Fees for Services

Appendix I to this letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed under this letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this letter.

* * * * *

Our engagement herein is for the provision of annual audit services for the financial statements and the Uniform Guidance and New Jersey OMB Circular 15-08 for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this letter we will provide the services set forth in Appendix I as a single engagement for each of the University's subsequent fiscal years until either those charged with governance or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by those charged with governance.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between KPMG and the University with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

KPMG LLP

Shelly R. Masi
Partner

ACCEPTED:

Rutgers, The State University of New Jersey

Heather Taylor

Title

Date

J. Michael Gower

Title

Date

Fees for Services

Based upon our discussions with and representations of management, our fees for services we will perform are estimated to be \$778,800 as of and for the year ending June 30, 2019.

The reports that we will issue as part of this engagement are as follows:

- An audit report on the financial statements of Rutgers, The State University of New Jersey;
- Report issued in connection with Uniform Guidance (including 3 major Federal awards programs);
- Report issued in connection with New Jersey OMB Circular 15-08 (including 3 major State of New Jersey awards programs); and
- Report issued in connection with Interest on Lawyer Trust Accounts (IOLTA) Fund of the Bar of New Jersey supplementary information
- Report issued in connection with Piscataway and Newark Centers of University Behavioral Healthcare supplementary information

Additional major Federal or State of New Jersey awards programs above and beyond the 3 each included in the estimate fee above will be billed at an estimated fee of \$10,000 to \$20,000 per program. Additionally, if incremental assistance is required on existing Federal and State of New Jersey programs the fee related to that work will be billed at an estimated fee of \$5,000 to \$10,000 per program.

Our fees related to providing agreed-upon procedure services for the University's Intercollegiate Athletics Program (NCAA AUP) and U.S. Environmental Protection Letter (EPA AUP) for the year ending June 30, 2019 are \$24,000 and \$2,800, respectively. Those agreed-upon procedures will be conducted in accordance with the applicable NCAA and EPA regulations. See Appendices II and III for a summary of the detailed procedures that will be performed.

The total estimated fees for all services as outlined above, including reimbursable expenses at 12% of the fee as discussed below, will be **\$872,256**. This estimate does not include additional audit effort needed related to any additional major Federal or State of New Jersey awards programs, as outlined above, as such effort is not known and cannot be determined as of the date of this letter, nor does it include our fees related to our services to provide agreed-upon procedures, as outlined above. We will endeavor to notify you and management of any such circumstances as they are assessed.

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses for items such as travel, telephone, postage, typing, printing, and reproduction of financial statements are estimated at 12% of the above fees and are billed for reimbursement as incurred. Arrangements for special work or an increase in the current scope of work will be discussed with management and preapproved with the audit committee prior to commencement.

Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed. Examples of these out of scope audit services include: (1) significant changes in the size and scope of your operations; (2) control deficiencies that require additional audit effort; and (3) client-prepared schedules/analyses and financial statements not adequately completed

and/or received timely. We will not incur time that would cause us to exceed our fee estimates above without your prior approval. These out of scope services will be billed separately based on actual time expended.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be the University's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

We will perform the procedures enumerated below, which were agreed to by the President and management of Rutgers, The State University of New Jersey (the University), solely to assist the University, in evaluating whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Programs of the University (the Schedule) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ending June 30, 2019. We will apply the following agreed-upon procedures to the Schedule of Revenues and Expenses of the Intercollegiate Athletics Programs of the University for the year ending June 30, 2019. This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. These procedures will be performed over each line item that is equal to or exceeds 4% of the total revenues or expenses on the Schedule.

General Procedures

1. We will obtain the Schedule, as prepared by management, and will recalculate the addition of total revenues, total expenses, and difference between revenues and expenses. We will compare the amounts on the Schedule for each revenue and expense category to the corresponding amounts on management's worksheet "NCAA Membership Financial Reporting System." We then will compare the amounts on management's worksheet "NCAA Membership Financial Reporting System" for each revenue and expense category to the University's general ledger for the year ended June 30, 2017 or other management worksheets.
2. For revenues and expenses on the Schedule in the total column that exceed 10% of total revenues and expenditures, respectively, we will compare these revenues and expense amounts to prior period amounts for the year ended June 30, 2018. For all variances greater than 10%, we will obtain explanations from management and include these in Exhibit A of the report.

We will perform detailed procedures over each line item that is equal to or exceeds 4.0% of the total revenues or expenses on the Schedule.

Procedures Related to Program Revenues

3. We will obtain management's worksheet "TK.AUDIT.R Consolidated Event Audit and Recap Report Season: F16, W17, M17" from the Rutgers Ticket Office for all football games, men's basketball games, and women's basketball games for the year ending June 30, 2019 and compare the "Total GL" amounts from the tickets sold for each sport for the season per the "TK.AUDIT.R Consolidated Event Audit and Recap Report: F16, W17, M17" to management's worksheet "GL Transaction Summary" representing the general ledger. We will compare the amounts for each transaction from management's worksheet "GL Transaction Summary" to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Ticket Sales."
4. We will make a selection of four basketball games (2 men's basketball and 2 women's basketball) from which we will select two ticket sale transactions for each game, and a selection of fourteen ticket sales transactions over seven football games and we will obtain management's worksheets "TK.OITEM.R Rutgers University" for each game selected. We will compare the payment amount on the respective "TK.OITEM.R Rutgers University" worksheet to the "Order Inquiry" and "Payment Details" ticket system detail. In addition, we will make a selection of four football season ticket sale transactions. For each transaction selected, we will compare the payment amount on the respective "TK.OITEM.R Rutgers University" worksheet to the "Order Inquiry," "Payment Details" and "Season Price Table Report" ticket system detail.

5. We will recalculate student fees revenue based on the allocation of student fees during the year ending June 30, 2019 obtained from management's worksheets "GL Transaction Summary" and "Mandatory Student Fees – New Brunswick Full Time Undergraduate" to be provided by the Office of the University Controller. We will compare the recalculated amount of student fees revenue obtained from management's worksheet "GL Transaction Summary" to the amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Student Fees."
6. We will obtain management's worksheet "GL Transaction Summary" and will compare the total amounts by sport to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Contributions." We will review management's worksheets "Account Analysis Report Unit 210 Accounts 41850, 41860 and 41870" for any single contribution that is 10% or greater of the total contributions.
7. We will make a selection of all transactions that are greater than 10% of total contributions from management's worksheet "Account Analysis Report Unit 210 Accounts 41850, 41860 and 41870." For each item selected, we will compare the amount recorded in the general ledger to the journal entry, copy of the check, and detail of cash receipt, as applicable.
8. We will obtain management's worksheets "GL Transaction Summary" representing the general ledger and "Direct Institutional Support." We will compare the recalculated amount of direct institutional support obtained from management's worksheet "GL Transaction Summary" to the amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Direct Institutional Support."
9. We will obtain management's worksheets "Account Analysis Report Unit 210 Organization 6106 Account 42160" and "Account Analysis Report Unit 210 Organization 5714 Account 42160" both representing the general ledger. These amounts will be agreed to supporting "Conference Distributions Cash Transmittal/Reports," and copy of the check or wire transfer received. We will compare the amounts discussed above to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Conference Distributions (Non Media and Non Bowl)."
10. We will obtain management's worksheets "Account Analysis Report Unit 210 Organization 6106 Account 42160," "Account Analysis Report Unit 210 Organization 4216 Account 42160," "Account Analysis Report Unit 210 Organization 6106 Account 48160" representing the general ledger and "Detailed GL Info for #35 on PBC." We will recalculate the total of royalties, licensing, advertisements and sponsorships revenue and will compare to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Royalties, Licensing, Advertisement and Sponsorships."
11. We will obtain a general ledger activity detail listing all revenues related to royalties, licensing, advertisements and sponsorships and will make a selection of two transactions. For each item selected, we will compare the revenue amount recorded in the general ledger to the journal entry, endorsed deposit slip, and check copy, as applicable.
12. We will obtain management's worksheets "GL Transaction Summary" and "Account Analysis Report Other Operating Revenue" both representing the general ledger. We will recalculate the amount of other operating revenue and compared to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Other Operating Revenue."

13. We will obtain a general ledger activity detail listing all revenues related to other operating revenues and make a selection of two transactions. For each item selected, we will compare the amount recorded in the general ledger to the journal entry, "Cash Transmittal/Report," endorsed deposit slip, and detail of cash receipt, as applicable.

Procedures Related to Program Expenditures

14. We will obtain management's worksheet "GL Transaction Summary" representing the general ledger and compared to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Athletic Student Aid."
15. We will obtain management's worksheet detailing all student aid recipients for all sports programs. We will compare the total of management's worksheet detailing all student aid recipients for all sports programs to the total student aid reported by the University on management's worksheet "GL Transaction Summary" representing the general ledger. We will make a selection of sixty students receiving student aid during the year ended June 30, 2019 from management's worksheet detailing all student aid recipients for all sports programs. For each student selected, we will compare the total aid received per the "Financial Aid Management System Award Display" to the athletics student aid file. We will compare the total award amount in the athletics student aid file to amounts on management's worksheet "GL Transaction Summary." We will recalculate the full-time equivalency value ensuring that the full grant amount received by the student was used in the equivalency calculation for the academic year, agreed the value to the squad list and verified that the value per the squad list is rounded to two decimal places. We will verify that the student is only included in one sport and students who compete in competitive sports are included in the athletics student aid file. We will verify students who have either exhausted their athletic eligibility or are inactive due to medical reasons are included in both the athletics student aid file and the squad list. If a student selected for testwork received a Pell Grant, we will ensure that the student's Pell grant amount per the "Financial Aid Management System Award Display" is included in the listing of Pell Grants in the athletics student aid file. We will compare the total number of student-athletes who received a Pell Grant award during the academic year and the total value of the Pell Grants awarded in the athletics student aid file to the amounts reported in the "NCAA Membership Financial Reporting System."
16. We will obtain management's worksheet "Rutgers Athletics Payroll Summary Information" and will make a selection of four coaches. The information for each employee identification (ID) number will be obtained from the "Rutgers Athletics Payroll Summary Information." For each individual selected, we will obtain the signed employment agreement, and the Personnel Data Record authorized by Human Resources reflecting increases to base salaries not included in the signed employment contract, where applicable. We will compare the base salary amount, extra compensation amount, post season bonuses amount, and/or deferred compensation amounts from each agreement, and Personnel Data Record, where applicable, to the amounts reported on management's worksheet "Rutgers Athletics Payroll Summary Information."
17. We will obtain management's worksheet "Rutgers Athletics Payroll Summary Information" representing the general ledger and will compare amounts to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities."
18. We will make a selection of five support staff/administrative personnel employed by the University from the "Rutgers Athletics Payroll Summary Information." The information for each employee identification (ID) number will be obtained from the "Rutgers Athletics Payroll Summary Information." For each individual selected, we will obtain the Personnel Data Record or signed employment agreement, whichever was applicable to the selected individual, and agree the base

salary, incentive compensation and additional bonus amounts from each Personnel Data Record or employee contract to the "Rutgers Athletics Payroll Summary Information."

19. We will obtain management's worksheets "Rutgers Athletics Payroll Summary Information," representing the general ledger and compared amounts to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Severance Payments."
20. For the employees with severance agreements, we will obtain management's worksheet "Rutgers Athletics Payroll Summary Information" and select a sample of two terminated employees and obtained the severance agreements. We will recalculate the amount of the severance to be paid for fiscal year 2019 based on the agreement and agree such amounts to the "Rutgers Athletics Payroll Summary Information," representing the general ledger.
21. For employees with severance terms in their original contracts, we will obtain management's worksheet "Rutgers Athletics Payroll Summary Information" and select a sample of two terminated coaches who did not have severance agreements. For each individual selected, we will obtain the signed employment agreement. We will recalculate the amount of severance paid using the agreements, compare the recalculated amount to the amounts reported on management's worksheet "Rutgers Athletics Payroll Summary Information," representing the general ledger and review the contract for either the "Termination without Cause" or the "Head Coach's Termination" clause.
22. We will obtain management's worksheet "GL Transaction Summary" representing the general ledger and will compare to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Team Travel."
23. We will obtain a general ledger activity detail listing all team travel expenses for all general ledger accounts and select a sample of two transactions. For each item selected, we will obtain the vendor invoice and purchase order (where applicable). We will compare the amount from the general ledger activity detail listing to the vendor invoice, ensure the expense was properly approved, reviewed the expense for appropriate classification as a team travel expense, and will verify that the amount was properly posted to the general ledger account and object code.
24. We will obtain management's worksheet "FY17 NCAA AUP – In Kind Report from Nike" and "GL Transaction Summary" representing the general ledger. We will recalculate the total equipment, uniforms and supplies expenses for each sport account. We will compare the amounts from management's worksheet "FY17 NCAA AUP – In Kind Report from Nike" and "GL Transaction Summary" to amounts on management's worksheet "NCAA Membership Financial Reporting System" for "Sports Equipment, Uniforms and Supplies."
25. We will obtain a general ledger activity detail listing all equipment, uniforms and supplies expenses for all general ledger accounts and will select a sample of two transactions. For each item selected, we will obtain the vendor invoice and purchase order (where applicable). We will compare the amount in the general ledger activity detail listing to the vendor invoice, ensure the expense was properly approved, review the expense for appropriate classification as an equipment, uniforms and supplies expense, and will verify that the amount was properly posted to the general ledger account and object code.
26. We will obtain management's worksheets "Account Analysis Report Unit 210 and Account 54490," "Account Analysis Report Unit 210 Organization 4216 Account 52020" and "GL Transaction Summary representing the general ledger." We will recalculate the total game day expenses for each sport. We will compare these amounts from management's worksheets "Account Analysis Report Unit 210 and Account 54490," "Account Analysis Report Unit 210 Organization 4216

Account 52020” and “GL Transaction Summary “ to amounts on management’s worksheet “NCAA Membership Financial Reporting System” for “Game Expenses.”

27. We will obtain a general ledger activity detail listing all game expenses for all general ledger accounts and will select a sample of two transactions. For each item selected, we will obtain the vendor invoice and purchase order (where applicable). We will compare the amount from the general ledger activity detail listing to the vendor invoice; ensure the expense was properly approved; review the expense for appropriate classification as a game expense; and verify that the amount was properly posted to the general ledger account and object code.
28. We will obtain management’s worksheets “Account Analysis Reports Unit 210 Organizations 4503 and 8535 Account 60600” and “GL Transaction Summary” both representing the general ledger and will recalculate the total amount of Athletic Facilities Debt Service, Leases and Rental Fees for each account. We will compare these amounts from management’s worksheets “Account Analysis Reports Unit 210 Organizations 4503 and 8535 Account 60600” and “GL Transaction Summary” to amounts on management’s worksheet “NCAA Membership Financial Reporting System” for “Athletic Facilities Debt Service, Leases and Rental Fee.”
29. We will obtain a general ledger activity detail listing all athletic facilities debt service, leases and rental fee expenditures for all general ledger accounts and selected a sample of four transactions. For each item selected, we will obtain the supporting documentation (e.g. bond issuance, commercial paper trade confirmation, lease agreement, rental agreement). We will compare the amount from the general ledger activity detail listing to the supporting documentation, ensure expenditure was properly approved, review the expenditure for appropriate classification as a debt service, leases and rental fee expenditure, and verify that the amount was properly posted to the general ledger account and object code.
30. We will obtain management’s worksheets “GL Transaction Summary” and “Account Analysis Report Direct Overhead” representing the general ledger and recalculated the amount of direct overhead and administrative expenses for each account. We will compare these amounts from management’s worksheets “GL Transaction Summary” and “Account Analysis Report Direct Overhead” to amounts from management’s worksheet “NCAA Membership Financial Reporting System” for “Direct Overhead and Administrative Expenses.”
31. We will obtain a general ledger activity detail listing all direct overhead and administrative expenses for all general ledger accounts and select a sample of two transactions. For each item selected, we will obtain the journal entry, statement, and purchase order (where applicable). We will compare the amount from the general ledger activity detail listing to the journal entry, statement or purchase order, ensure the expense was properly approved, review the expenses for appropriate classification as a direct overhead and administrative expense; and verify that the amount was properly posted to the general ledger account and object code.

Other Required Procedures

32. We will compare and agree the sports sponsored reported in the “NCAA Membership Financial Reporting System” to the squad lists of the University.
33. We will obtain the Sports Sponsorship and Demographic Forms report and squad list and validate that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement. We will note that the University has properly reported these sports as countable for revenue distribution purposes within the “NCAA Membership Financial Reporting System.”

34. We will agree the total number of student-athletes who received a Pell Grant award during the academic year and the total value of the Pell Grants in the athletics student aid file to the amounts reported in the "NCAA Membership Financial Reporting System."
35. We will obtain the detail of all athletics related debt and institutional debt at June 30, 2019 and agree the listing to debt confirmations, the general ledger, and the University's audited 2019 financial statements. For all athletics related debt, we will also recalculate the annual maturities of principal and interest payments included within the detail.
36. We will obtain a schedule of all athletic dedicated and institutional endowments and agreed the fair market value to investment confirmations, the general ledger at June 30, 2019, and the audited 2019 financial statements.
37. We will obtain a general ledger activity detail listing all capital expenditures and compare expenditures to the total expenses reported by the University during fiscal year 2019. We will select a sample of two expenditures for testwork. For each item selected, we will obtain the invoice, purchase order and copy of payment (where applicable). We will compare the amount from the general ledger activity detail listing to the invoice, ensure the expense was properly approved, and verify that the classification as a capital expense was appropriate.

Rutgers, The State University of New Jersey

DEP AUP Proposed Procedures – June 30, 2019

We will perform the procedures enumerated below and included in the Code of Federal Regulations (CFR) Title 40, Part 280, Section 95(c)(5), which were agreed to by the U.S. Environmental Protection Agency, the New Jersey Department of Environmental Protection, and Rutgers, The State University of New Jersey (the University), solely to assist the specified parties in evaluating management's assertion about the University's compliance with the financial test of self-insurance at June 30, 2019, included in a letter from Mr. J. Michael Gower, Executive Vice President for Finance and Administration and University Treasurer to be dated the same date as our report on the procedures as described above and will also accompany such report (the accompanying letter).

We will apply the following agreed-upon procedures to the information in the accompanying letter as noted above:

1. We will compare total tangible assets and deferred outflows, item 4 in the accompanying letter, to total assets and deferred outflows of resources included in the audited financial statements of the University at June 30, 2019.
2. We will compare total liabilities and deferred inflows, item 5 in the accompanying letter, to total liabilities and deferred inflows of resources included in the audited financial statements of the University at June 30, 2019.
3. We will recalculate tangible net worth, item 6 in the accompanying letter, by subtracting total liabilities and deferred inflows, item 5 in the accompanying letter, from total tangible assets and deferred outflows, item 4 in the accompanying letter.
4. We will compare total assets in the US, item 7 in the accompanying letter, to total assets included in the audited financial statements of the University at June 30, 2019.
5. We will compare current assets, item 12 in the accompanying letter, to total current assets included in the audited financial statements of the University at June 30, 2019.
6. We will compare current liabilities, item 13 in the accompanying letter, to total current liabilities included in the audited financial statements of the University at June 30, 2019.
7. We will recalculate net working capital, item 14 in the accompanying letter, by subtracting current liabilities, item 13 in the accompanying letter, from current assets, item 12 in the accompanying letter.



Report on the Firm's System of Quality Control

March 21, 2018

To the Partners of KPMG LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of KPMG LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Deficiency Identified in the Firm's System of Quality Control

We noted the following deficiency during our review:

1. Certain individuals of the firm, including former members of senior management for part of the peer review year ended March 31, 2017, participated in or were aware of improper actions related to audit engagement selections ahead of planned inspections by one of the firm's regulators. These individuals failed to take action to prevent or properly report the knowledge or possession of confidential information by either overriding or failing to enforce controls established by the firm.



Actions by these individuals including the involvement of senior audit management caused us to conclude that the failure of these individuals to comply with the firm's quality control policies and procedures related to leadership responsibilities, relevant ethical requirements and monitoring could have created a situation during the peer review year ended March 31, 2017 in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects. Accordingly, we have concluded that this matter presented a deficiency in the firm's system of quality control during the applicable period. The firm is taking responsive actions to remediate this deficiency.

Opinion

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of KPMG LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. KPMG LLP has received a peer review rating of *pass with deficiency*.

Reviewed and approved



**RESOLUTION
AMENDING THE PROJECT RESOLUTION APPROVING UPGRADES
TO THE CO-GENERATION PLANT ON
THE NEWARK HEALTH SCIENCES CAMPUS**

WHEREAS, the Co-Generation Plant on Rutgers' Newark Health Sciences Campus provides electric power, heat and cooling to over thirteen buildings as well as to University Hospital ("UH") (for which utilities UH reimburses Rutgers) including significant clinical/patient care space, classrooms, and administrative space; and

WHEREAS, the Co-Generation Plant's three natural gas turbines were installed in 1987, are well beyond the end of their useful lives, use nitrogen oxide reduction technology that is disallowed under current regulations, require excessive maintenance and repair, and only operate at approximately 60% capacity; and

WHEREAS, Rutgers' Division of Institutional Planning and Operations has investigated replacing the three turbines and observes that new turbines would increase electrical output by approximately 2.8 megawatts, improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits, all of which furthers Rutgers' sustainability goals; and

WHEREAS, on April 6, 2017, the Board of Governors of Rutgers, the State University of New Jersey adopted the attached resolution approving upgrades to the Co-Generation Plant at a cost of \$44.5 million ("Project Costs"); and

WHEREAS, while planning for the construction work has progressed, the University has identified additional work that could be achieved in order to increase efficiency and reliability while achieving maximum benefit from the economy of scale savings; and

WHEREAS, this work includes the addition of new electrical switchgear servicing the campus at an amount not to exceed \$6.0 million, increasing the total Project Costs to \$50.5 million; and

WHEREAS, the University expects to cover the \$50.5 million Project Costs through grants, low interest loans, a contribution from UH, and issuance of debt as follows: approximately \$25 million grant through the Energy Resiliency Bank ("ERB"), \$15 million low interest ERB loan, \$1.5 million no interest loan from Public Service Electric & Gas ("PSEG"), and a \$9 million low interest loan from the New Jersey Infrastructure Bank. All financed amounts are subject to a twenty-seven percent (27%) contribution from UH for their portion of the debt service associated with the Project Costs not covered by grants (which percent corresponds to UH's use of the Co-Generation Plant's output); and

WHEREAS, the University may elect to finance that portion of the Project Costs that are not otherwise covered by grants or EDA loans, with debt issued by the University at a later date (“Project Bonds”); and

WHEREAS, the Committee on Finance and Facilities reviewed and discussed the proposed plan to amend the upgrades to the Co-Generation Plant on the Newark Health Sciences Campus as described above and in the attached Project Summary at its meeting on March 12, 2019 and recommended approval by the Board of Governors.

NOW, THEREFORE, BE IT RESOLVED that, upon the recommendation of the Committee on Finance and Facilities, the Board of Governors of Rutgers, The State University of New Jersey, hereby approves the amended project upgrading the Co-Generation Plant on the Newark Health Sciences Campus as described herein and in the attached Project Summary, with spending authority up to \$50.5 million; and

BE IT FURTHER RESOLVED that the Board of Governors reasonably expects to reimburse the expenditure of Project Costs paid prior to the issuance of Project Bonds, with proceeds of such Project Bonds, and this resolution is intended to be, and hereby is, a declaration of the official intent to reimburse the expenditure of Project Costs paid prior to the issuance of the Project Bonds, with proceeds of such Project Bonds, in accordance with Treasury Regulations Section 1.150-2; and

BE IT FURTHER RESOLVED that the University administration, acting through the Executive Vice President for Strategic Planning and Operations and Chief Operating Officer, in consultation with the Executive Vice President for Finance and Administration, and University Treasurer, and the Senior Vice President and General Counsel, is hereby authorized and directed to take such actions and execute and perform such other contracts, certificates, or documents as may be necessary to accomplish the project; and

BE IT FINALLY RESOLVED that this Resolution shall take effect immediately.

Attachment: Project Summary
Resolution dated April 6, 2017

Board of Governors
Rutgers, The State University
of New Jersey
April 9, 2019

Project Summary

Newark RBHS Co-Generation Plant Upgrades

UPDATED March 12, 2019

Background

The RBHS Cogeneration plant in Newark supplies electricity, heating, and cooling to 13 buildings and 2 parking decks for a floor area of almost 19M square feet on the Rutgers Newark Health Sciences Campus. The plant also serves the University Hospital in accordance with the Continuing Services Agreement with the State of New Jersey. Space utilization of the buildings served include medical buildings, classroom, parking deck, and administration, along with University Hospital.

The Plant serves the following primary functions: Power Generation from 3 natural gas turbines installed in 1987 with total nominal capacity of 9.9MW, Heat Generation from 2 natural gas boilers plus duct burners that use heat from the turbines, 4 steam driven chillers powered by off gas from the turbines, and 2 electric chillers.

Proposed Investment

The turbines in the plant are at the end of their useful life and use an antiquated water injection system to reduce NOX, which is disallowed under current DEP rules. The turbines have become unreliable and fail regularly, requiring excess maintenance and repairs. They are operating at about 60% capacity.

Replacement of the three aging turbines with a capacity increase of at least 2.8 MW will improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits. The new equipment would eliminate the use of 3,400,000 gallons of water per year, much of which is discharged to sanitary sewers. The project will also include various other electrical and mechanical upgrades.

During the continued development of the project, a determination was made to explore and add new electrical switchgear to maximize efficiency and reliability while taking advantage of economy of scale on both cost and financing. This incremental amount adds \$6.0 million to the Project Cost.

Summary of Grants and Loans

Energy Resiliency Bank (ERB) resiliency funding is available from the NJ Economic Development Authority (NJEDA) to hospitals to ensure that essential utilities are provided during any event when delivered utilities are not available. Rutgers, on behalf of University Hospital, has submitted and received approval for the first phase of the grant application to

obtain ERB funds, and is proceeding with the full application. The proposed project will cost \$50.5 million, and according to NJEDA, the maximum grant award from ERB is \$25.0 million. The balance of the financing amounts to \$15 million low interest loan from the ERB, a \$1.5 million no interest loan from PSE&G, and a \$9 million low interest loan from the New Jersey Infrastructure Trust. All debt service is sub vented by a 27% contribution of the total from University Hospital.

Resulting Energy and Cost Savings

It is anticipated that during the first full year on-line (2022), the energy savings and Market Participation Credits will result in a net savings of approximately \$3.0 million. The savings would be offset by debt service of approximately \$1.0 million per year, taking into account University Hospital's share, leaving a net of \$2.0 million. New technology will result in a 50% decrease in emissions and elimination of water usage, saving 3.4M gallons of water per year.



**RESOLUTION
APPROVING UPGRADES TO
THE CO-GENERATION PLANT ON
THE NEWARK HEALTH SCIENCES CAMPUS**

WHEREAS, the Co-Generation Plant on Rutgers' Newark Health Sciences Campus provides electric power, heat and cooling to over thirteen buildings as well as to University Hospital ("UH") (for which utilities UH reimburses Rutgers) including significant clinical/patient care space, classrooms, and administrative space; and

WHEREAS, the Co-Generation Plant's three natural gas turbines were installed in 1987, are well beyond the end of their useful lives, use nitrogen oxide reduction technology that is disallowed under current regulations, require excessive maintenance and repair, and only operate at approximately 60% capacity; and

WHEREAS, Rutgers' Department of Institutional Planning and Operations has investigated replacing the three turbines and observes that new turbines would increase electrical output by approximately 2.8 megawatts, improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits all of which furthers Rutgers' sustainability goals; and

WHEREAS, the cost of the Co-Generation Plant upgrades, which includes the new turbines and other electrical and mechanical upgrades ("Project Costs"), will be \$44.5 million; and

WHEREAS, the University expects to cover the \$44.5 million Project Costs through grants, low interest loans, a contribution from UH, and issuance of debt as follows: approximately \$36.2 million through grants and forgivable loans from the New Jersey Economic Development Authority's ("EDA") Energy Resiliency Bank program, \$2 million through a grant from PSE&G, a twenty-seven percent (27%) contribution from UH for the portion of Project Costs not covered by grants (which percent corresponds to UH's use of the Co-Generation Plant's output), a low interest (below market) loan sponsored by EDA, and University financing; and

WHEREAS, the upgrades are expected to achieve cost savings of more than \$1 million per year (due to decreased natural gas and cooling water consumption) and generate rebates of \$1.86 million per year through Market Participation energy credits, which will offset debt service on financed Project Costs; and

WHEREAS, the University may elect to finance that portion of the Project Costs that are not otherwise covered by grants or EDA loans, with debt issued by the University at a later date (“Project Bonds”); and

WHEREAS, the Committee on Finance and Facilities reviewed and discussed the proposed plan to upgrade the Co-Generation Plant on the Newark Health Sciences Campus as described above and in the attached Project Summary at its meeting on March 22, 2017 and recommended approval by the Board of Governors.

NOW, THEREFORE, BE IT RESOLVED that, upon the recommendation of the Committee on Finance and Facilities, the Board of Governors of Rutgers, The State University of New Jersey, hereby approves upgrading the Co-Generation Plant on the Newark Health Sciences Campus as described herein and in the attached Project Summary, with spending authority up to \$44.5 million; and

BE IT FURTHER RESOLVED that the Board of Governors reasonably expects to reimburse the expenditure of Project Costs paid prior to the issuance of Project Bonds, with proceeds of such Project Bonds, and this resolution is intended to be, and hereby is, a declaration of the official intent to reimburse the expenditure of Project Costs paid prior to the issuance of the Project Bonds, with proceeds of such Project Bonds, in accordance with Treasury Regulations Section 1.150-2; and

BE IT FURTHER RESOLVED that the University administration, acting through the Executive Vice President for Strategic Planning and Operations and Chief Operating Officer, in consultation with the Executive Vice President for Finance and Administration, and University Treasurer, and the Senior Vice President and General Counsel, is hereby authorized and directed to take such actions and execute and perform such other contracts, certificates, or documents as may be necessary to accomplish the project; and

BE IT FINALLY RESOLVED that this Resolution shall take effect immediately.

Attachment: Project Summary

Board of Governors
Rutgers, The State University
of New Jersey
April 6, 2017

Project Summary

Newark RBHS Co-Generation Plant Upgrades

Background

The Rutgers Biomedical and Health Sciences ("RBHS") Cogeneration Plant ("Plant") in Newark supplies electricity, heating, and cooling to 13 buildings and 2 parking decks for a floor area of almost 19M square feet on the Rutgers Newark Health Sciences Campus. The plant also serves University Hospital in accordance with the Continuing Services Agreement with the State of New Jersey. Space utilization of the buildings served include medical buildings, classroom, administration, and parking decks, along with University Hospital.

The Plant serves the following primary functions: Power Generation from 3 natural gas turbines installed in 1987 with total nominal capacity of 9.9MW, Heat Generation from 2 natural gas boilers plus duct burners that use heat from the turbines, 4 steam driven chillers powered by off gas from the turbines, 2 electric chillers, and emergency power.

Proposed Investment

The turbines in the plant are at the end of their useful life and use an antiquated water injection system to reduce nitrogen oxide, which is disallowed under current Department of Environmental Protection rules. The turbines have become unreliable and fail regularly, requiring excess maintenance and repairs. They are operating at about 60% capacity.

Replacement of the three aging turbines with a capacity increase of at least 2.8 MW will improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits. The new equipment would eliminate the use of 3,400,000 gallons of water per year, much of which is discharged to sanitary sewers. The project will also include various other electrical and mechanical upgrades.

Summary of Grants and Loans

Energy Resiliency Bank (ERB) resiliency funding is available from the New Jersey Economic Development Authority (NJEDA) to hospitals to ensure that essential utilities are provided during any event when delivered utilities are not available. Rutgers, on

behalf of University Hospital, has submitted and received approval for the first phase of the grant application to obtain ERB funds, and is proceeding with the full application. The proposed project will cost \$44.5M, and according to NJEDA, the maximum award from ERB is \$36,267,500. With a \$2,000,000 grant from PSE&G, the remaining cost to be borne by University Hospital and Rutgers is \$8,232,500 which can be funded through an EDA sponsored low interest (2%) loan. The amount of the grant/loan will not be defined until completion, review and approval of the full application.

Resulting Energy and Cost Savings

A conservative estimate of energy cost savings will be a minimum of \$1M per year, and Market Participation credits will provide rebates of \$1.86M, for an effective savings of \$2.86M in 2016 dollars. New technology will result in a 50% decrease in emissions and elimination of water usage, saving 3.4M gallons of water per year.



RESOLUTION
AMENDING THE PROJECT RESOLUTION APPROVING UPGRADES TO THE
CO-GENERATION PLANT ON THE BUSCH CAMPUS

WHEREAS, on April 6, 2017, the Board of Governors of Rutgers, The State University of New Jersey adopted the attached resolution approving Upgrades to the Co-Generation Plant on the Busch Campus, Piscataway, New Jersey at a cost of \$30 million; and

WHEREAS, during the bid phase, added scope and escalation caused unanticipated additional construction costs; and

WHEREAS, these costs are primarily in four areas; Public Service Electric & Gas testing, the addition of dual fuel capability, emissions control upgrades due to dual fuel; and marketplace escalation; and

WHEREAS, the additional scope of work as well as escalation described herein is expected to cost \$7.0 million (which increases the cost of the original project from \$30 million to \$37 million) and the University may elect to finance the costs of this increased project scope with debt issued by the University at a later date ("Project Bonds") or other entity; and

WHEREAS, on March 12, 2019, the Committee on Finance and Facilities reviewed the increased scope and costs to the Upgrades to the Co-Generation Plant on the Busch Campus project and recommended it for approval by the Board of Governors of Rutgers, The State University of New Jersey.

NOW, THEREFORE, BE IT RESOLVED that, upon the recommendation of the Committee on Finance and Facilities, the Board of Governors of Rutgers, The State University of New Jersey, approves the increased scope to the Upgrades to the Co-Generation Plant on the Busch Campus project as described herein and in the attached Project Summary for a total project cost not to exceed \$37 million; and

BE IT FURTHER RESOLVED the Board of Governors of the University reasonably expects to reimburse the expenditure of Increased Scope Costs paid prior to the issuance of debt, with proceeds of such debt, and this resolution is intended to be, and hereby is, a declaration of the official intent to reimburse the expenditure of Increased Scope Costs paid prior to the issuance of the debt, with proceeds of such debt, in accordance with Treasury Regulations Section 1.150 2; and

BE IT FURTHER RESOLVED that the University Administration, acting through the Executive Vice President for Strategic Planning and Operations and Chief Operating Officer of Rutgers, on behalf of Rutgers, with advice from the Chair of the Committee on Finance and Facilities, the Executive Vice President for Finance and Administration and University Treasurer, and the Senior Vice President and General Counsel, is hereby authorized and directed

to negotiate, approve, execute and perform all necessary agreements, contracts, certificates, reports and documents on behalf of Rutgers that are necessary for the successful execution of this project.

BE IT FINALLY RESOLVED, that this resolution shall take effect immediately.

Attachments: Project Summary
Resolution dated April 6, 2017

Board of Governors
Rutgers, The State University
of New Jersey
April 9, 2019

Project Summary

Busch / Livingston Co-Generation Plant Upgrades

UPDATED March 12, 2019

Background

The Busch power cogeneration/heating plant and distribution system provides power and heat to most of the buildings on the Rutgers Busch and Livingston campuses, supplemented by power from an electricity supplier substation (PSEG) and two solar panel fields. The power generation and distribution system serves approximately 270 buildings and a total floor area of over 8.5 M square feet. Space utilization of the buildings served include housing, student center/dining, recreation, classroom, and administration.

The Plant serves the following primary functions: power generation from 3 natural gas turbines installed in 1996 with total nominal capacity of 13.5MW, heat generation from 3 natural gas boilers plus duct burners that use heat from the turbines, and compressed air.

Proposed Investments

The turbines in the plant are at the end of their useful life and use an antiquated water injection system to reduce NOX, which is disallowed under current DEP rules. Replacement of the three aging turbines with a capacity increase of at least 2.8 MW will improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits. The replacement includes dual fuel capabilities. These are necessary under our curtailment agreement with our regional transmission organization, Pennsylvania, New Jersey and Maryland Interconnection (PJM), eliminating any opportunity for fines and maximizing our participation credit. With the addition of oil burning capabilities, the emissions equipment would be again upgraded to reflect this change.

The new equipment would eliminate the use of 8,000,000 gallons of water per year, much of which is discharged to sanitary sewers. The project will also include various other electrical and mechanical upgrades.

Resulting Energy and Cost Savings

It is anticipated that energy cost savings will be more than \$1.3M per year, and Market Participation credits will provide rebates of \$1.3M, for an effective savings of \$2.6M in 2021 dollars. This will be offset by level debt service of \$1.1M, (straight line 30 year amortization), through financing by the Environmental Infrastructure Trust bank at a rate of 1.15%. The total 30-year positive cumulative cash flow after debt service is anticipated to be approximately \$38.3M.

New technology will result in a 50% decrease in emissions and elimination of water usage, saving 8M gallons of water (worth \$58k) per year.



**RESOLUTION
APPROVING UPGRADES TO
THE CO-GENERATION PLANT ON BUSCH CAMPUS**

WHEREAS, the Co-Generation Plant on Busch campus provides electric power and heat to most of the buildings on the Busch and Livingston campuses of Rutgers University; and

WHEREAS, the Co-Generation Plant's three natural gas turbines were installed in 1996, are at the end of their useful lives, and use nitrogen oxide reduction technology that is disallowed under current regulations; and

WHEREAS, Rutgers' Department of Institutional Planning and Operations has investigated replacing the three turbines and observes that new turbines would increase electrical output by approximately 2.8 megawatts, improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits all of which furthers Rutgers' sustainability goals; and

WHEREAS, the cost of the Co-Generation Plant upgrades, which includes the new turbines and other electrical and mechanical upgrades ("Project Costs"), will be \$30 million which the University expects to finance; and

WHEREAS, the upgrades are expected to achieve cost savings of more than \$1 million per year (due to decreased natural gas and water consumption) and generate rebates of \$1.86 million per year through Market Participation energy credits, which will offset debt service on financed Project Costs; and

WHEREAS, the University may elect to finance all or a portion of the Project Costs with debt issued by the University at a later date ("Project Bonds"); and

WHEREAS, the Committee on Finance and Facilities reviewed and discussed the proposed plan to upgrade the Co-Generation Plant on Busch Campus as described above and in the attached Project Summary and recommended approval by the Board of Governors.

NOW, THEREFORE, BE IT RESOLVED that, upon the recommendation of the Committee on Finance and Facilities, the Board of Governors of Rutgers, The State University of New Jersey, hereby approves upgrading the Co-Generation Plant on Busch campus as described herein and in the attached Project Summary, with spending authority up to \$30 million; and

BE IT FURTHER RESOLVED that the Board of Governors reasonably expects to reimburse the expenditure of Project Costs paid prior to the issuance of Project Bonds, with proceeds of such Project Bonds, and this resolution is intended to be, and hereby is, a declaration of the official intent to reimburse the expenditure of Project Costs paid prior to the issuance of the

Project Bonds, with proceeds of such Project Bonds, in accordance with Treasury Regulations Section 1.150-2; and

BE IT FURTHER RESOLVED that the University administration, acting through the Executive Vice President for Strategic Planning and Operations and Chief Operating Officer, in consultation with the Executive Vice President for Finance and Administration, and University Treasurer, and the Senior Vice President and General Counsel, is hereby authorized and directed to take such actions and execute and perform such other contracts, certificates, or documents as may be necessary to accomplish the project; and

BE IT FINALLY RESOLVED that this Resolution shall take effect immediately.

Attachment: Project Summary

Board of Governors
Rutgers, The State University
of New Jersey
April 6, 2017

Project Summary

Busch / Livingston Co-Generation Plant upgrades

Background

The Busch power cogeneration/heating plant and distribution system provides power and heat to most of the buildings on the Rutgers Busch and Livingston campuses, supplemented by power from an electricity supplier substation (PSEG) and two solar panel fields. The power generation and distribution system serves approximately 270 buildings and a total floor area of over 8.5 M square feet. Space utilization of the buildings served include housing, student center/dining, recreation, classroom, and administration.

The Plant serves the following primary functions: power generation from 3 natural gas turbines installed in 1996 with total nominal capacity of 13.5MW, heat generation from 3 natural gas boilers plus duct burners that use heat from the turbines, emergency power, and compressed air.

Proposed Investments

The turbines in the plant are at the end of their useful life and use an antiquated water injection system to reduce NOX, which is disallowed under current Department of Environmental Protection rules. Replacement of the three aging turbines with a capacity increase of at least 2.8 MW will improve reliability and efficiency, reduce energy costs, reduce emissions, and produce energy credits. The new equipment would eliminate the use of 8,000,000 gallons of water per year, much of which is discharged to sanitary sewers. The project will also include various other electrical and mechanical upgrades.

Resulting Energy and Cost Savings

It is anticipated that energy cost savings will be more than \$1M per year, and Market Participation credits will provide rebates of \$1.86M, for an effective savings of \$2.86M in 2016 dollars. New technology will result in a 50% decrease in emissions and elimination of water usage, saving 8M gallons of water (worth \$58k) per year.



RESOLUTION
AMENDING THE BOARD OF GOVERNORS RESOLUTION OF OCTOBER 4, 2018 AND
AUTHORIZING RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY
TO ISSUE AND SELL A NOTE TO THE NEW JERSEY INFRASTRUCTURE BANK
PURSUANT TO THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE BANK
CONSTRUCTION FINANCING PROGRAM

WHEREAS, on April 6, 2017, the Board of Governors approved a project involving upgrading the Cogeneration Plant on the Busch Campus for a total project cost not to exceed \$30 million (the "Project"); and

WHEREAS, on October 4, 2018, based upon the total project cost of \$30 million, the Board of Governors approved a Resolution authorizing the University administration to issue and sell a note to the New Jersey Infrastructure Bank pursuant to the New Jersey Environmental Infrastructure Bank Construction Financing Program; and

WHEREAS, after the bids were received and the project design developed, it became clear that the project scope would need to be increased, and in addition, due to market escalation, the University administration requested a \$7 million increase to the total project cost; and

WHEREAS, in furtherance of its capital planning goals and debt management policies, the University desires to obtain financing for the Project through participation in the New Jersey Environmental Infrastructure Bank's (the "Bank") construction financing program (the "Construction Financing Program") pursuant to which the Bank will make a short term loan to the University (the "Construction Loan"); and

WHEREAS, in order to (i) evidence and secure the repayment obligation of the University to the Bank with respect to the Construction Loan, and (ii) satisfy the requirements of the Construction Financing Program, the University plans to issue and sell to the Bank the "Note Relating to the Construction Financing Program of the New Jersey Environmental Infrastructure Bank" in an aggregate principal amount of up to \$37 million (the "Note"); and

WHEREAS, N.J.S.A. 58:11B-9 allows for the sale of the Note to the Bank, without any public offering, all pursuant to the terms and conditions set forth therein; and

WHEREAS, on March 12, 2019, the University administration reviewed and discussed this financing with the Committee on Finance and Facilities, including the reasons for the increase in total cost, and the Committee agreed to recommend approval of the financing to the Board of Governors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Governors of Rutgers, The State University of New Jersey, upon the recommendation of the Committee on Finance and Facilities and conditioned upon the consent of the Board of Trustees to be obtained prior to the University's execution and delivery of the Note, hereby amends its October 4, 2018 resolution as follows:

Section 1. The Board of Governors hereby authorizes the Executive Vice President for Finance and Administration and University Treasurer or his designee ("Authorized Officers") to proceed with the financing of the Project through the Construction Financing Program.

Section 2. The Board of Governors hereby authorizes and directs the Authorized Officers to enter into, acknowledge and deliver the Note, the form of which is attached hereto as Exhibit A, with such changes as counsel shall advise, in an amount not to exceed \$37 million.

Section 3. The University hereby determines that certain terms of the Note shall be as follows:

- (a) the principal amount of the Note to be issued shall be an amount not to exceed \$37 million;
- (b) the maturity of the Note shall be as determined by the Bank;
- (c) the interest rate of the Note shall be as determined by the Bank;
- (d) the purchase price for the Note shall be par;
- (e) the Note shall be subject to prepayment prior to its stated maturity in accordance with the terms and conditions of the Note;
- (f) the Note shall be a general obligation of the University, issued in fully registered form and payable to the registered owner thereof as to both principal and interest in lawful money of the United States of America; and
- (h) the Note shall be executed by the manual or facsimile signatures of the Authorized Officers under official seal or facsimile thereof affixed, printed, engraved or reproduced thereon and attested by the manual signature of the Secretary or Assistant Secretary of the University.

Section 4. The Board of Governors hereby authorizes and directs the Authorized Officers to execute and deliver such additional documents as may be necessary and appropriate in connection with the University's issuance and sale of the Note and participation in the Construction Financing Program, in the name and on behalf of the University, in each case in the respective form approved by the Authorized Officers, with advice of counsel, as conclusively evidenced by such officer's execution thereof, to be advisable and in the best interests of the University.

Section 5. In addition to and without limiting the generality of the foregoing resolutions, the Authorized Officers of the University are, and each of them hereby is, authorized and directed to take such further action including the execution and delivery of any such instruments and documents as such officers, with advice of counsel, may deem appropriate to carry out the transactions contemplated herein; and the taking of such action or execution of such instruments shall be deemed conclusive evidence of the determination of such executing officer that such action or execution was appropriate and in the best interests of the University

Section 6. Because the Board of Trustees has met prior to this meeting of the Board of Governors and given its consent, in advance, this resolution shall take effect immediately.

Attachment: October 4, 2018 Resolution (including form of note)

Board of Governors
Rutgers, The State University
of New Jersey
April 9, 2019



RESOLUTION

AUTHORIZING RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY TO ISSUE AND SELL A NOTE TO THE NEW JERSEY INFRASTRUCTURE BANK PURSUANT TO THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE BANK CONSTRUCTION FINANCING PROGRAM

WHEREAS, on April 6, 2017, the Board of Governors approved a project involving upgrading the Cogeneration Plant on the Busch Campus for a total project cost not to exceed \$30 million (the "Project"); and

WHEREAS, in furtherance of its capital planning goals and debt management policies, the University desires to obtain financing for the Project through participation in the New Jersey Environmental Infrastructure Bank's (the "Bank") construction financing program (the "Construction Financing Program") pursuant to which the Bank will make a short term loan to the University (the "Construction Loan"); and

WHEREAS, in order to (i) evidence and secure the repayment obligation of the University to the Bank with respect to the Construction Loan, and (ii) satisfy the requirements of the Construction Financing Program, the University plans to issue and sell to the Bank the "Note Relating to the Construction Financing Program of the New Jersey Environmental Infrastructure Bank" in an aggregate principal amount of up to \$30 million (the "Note"); and

WHEREAS, N.J.S.A. 58:11B-9 allows for the sale of the Note to the Bank, without any public offering, all pursuant to the terms and conditions set forth therein; and

WHEREAS, on September 18, 2018, the University administration reviewed and discussed this financing with the Committee on Finance and Facilities, and the Committee agreed to recommend approval of the financing to the Board of Governors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Governors of Rutgers, The State University of New Jersey, upon the recommendation of the Committee on Finance and Facilities and conditioned upon the consent of the Board of Trustees to be obtained prior to the University's execution and delivery of the Note, as follows:

Section 1. The Board of Governors hereby authorizes the Executive Vice President for Finance and Administration and University Treasurer or his designee ("Authorized Officers") to proceed with the financing of the Project through the Construction Financing Program.

Section 2. The Board of Governors hereby authorizes and directs the Authorized Officers to enter into, acknowledge and deliver the Note, the form of which is attached hereto as Exhibit A, with such changes as counsel shall advise, in an amount not to exceed \$30 million.

Section 3. The University hereby determines that certain terms of the Note shall be as follows:

- (a) the principal amount of the Note to be issued shall be an amount not to exceed \$30 million;
- (b) the maturity of the Note shall be as determined by the Bank;
- (c) the interest rate of the Note shall be as determined by the Bank;
- (d) the purchase price for the Note shall be par;
- (e) the Note shall be subject to prepayment prior to its stated maturity in accordance with the terms and conditions of the Note;
- (f) the Note shall be a general obligation of the University, issued in fully registered form and payable to the registered owner thereof as to both principal and interest in lawful money of the United States of America; and
- (h) the Note shall be executed by the manual or facsimile signatures of the Authorized Officers under official seal or facsimile thereof affixed, printed, engraved or reproduced thereon and attested by the manual signature of the Secretary or Assistant Secretary of the University.

Section 4. The Board of Governors hereby authorizes and directs the Authorized Officers to execute and deliver such additional documents as may be necessary and appropriate in connection with the University's issuance and sale of the Note and participation in the Construction Financing Program, in the name and on behalf of the University, in each case in the respective form approved by the Authorized Officers, with advice of counsel, as conclusively evidenced by such officer's execution thereof, to be advisable and in the best interests of the University.

Section 5. In addition to and without limiting the generality of the foregoing resolutions, the Authorized Officers of the University are, and each of them hereby is, authorized and directed to take such further action including the execution and delivery of any such instruments and documents as such officers, with advice of counsel, may deem appropriate to carry out the transactions contemplated herein; and the taking of such action or execution of such instruments shall be deemed conclusive evidence of the determination of such executing officer that such action or execution was appropriate and in the best interests of the University

Section 6. Because the Board of Trustees has met prior to this meeting of the Board of Governors and given its consent, in advance, this resolution shall take effect immediately.

Attachment: Form of Note

Board of Governors
Rutgers, The State University
of New Jersey
October 4, 2018

RUTGERS, THE STATE UNIVERSITY
NOTE
RELATING TO:
THE CONSTRUCTION FINANCING LOAN PROGRAM
OF THE NEW JERSEY INFRASTRUCTURE BANK
(f/k/a NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST)

\$ _____, 201_

_FP-18-__

FOR VALUE RECEIVED, RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY, an instrumentality of the State of New Jersey (as hereinafter defined), and its successors and assigns (the “Borrower”), hereby promises to pay to the order of the **NEW JERSEY INFRASTRUCTURE BANK (f/k/a NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST)**, a public body corporate and politic with corporate succession, duly created and validly existing under and by virtue of the Act (as hereinafter defined) (the “I-Bank”), the Principal (as hereinafter defined), together with all unpaid accrued Interest (as hereinafter defined), fees, late charges and other sums due hereunder, if any, in lawful money of the United States of America, on the Maturity Date (as hereinafter defined) or the date of any optional prepayment or acceleration in accordance with the provisions of this note (this “Note”).

SECTION 1. Definitions. As used in this Note, unless the context requires otherwise, the following terms shall have the following meanings:

“**Act**” means the “New Jersey Infrastructure Trust Act”, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State (codified at N.J.S.A. 58:11B-1 *et seq.*), as the same may from time to time be amended and supplemented.

“**Administrative Fee**” means a fee of up to four-tenths of one percent (.40%) of that portion of the Principal identified in clause (i) of the definition thereof (as set forth in this Section 1), or such lesser amount, if any, as the I-Bank may determine from time to time.

“**Anticipated Financing Program**” means the financing program of the I-Bank, pursuant to which the I-Bank will issue its I-Bank Bonds for the purpose of financing, on a long term basis, the Project and other projects of certain qualifying borrowers.

“**Anticipated Long Term Loan**” means the long term loan made by the I-Bank to the Borrower from the proceeds of its I-Bank Bonds, as part of the Anticipated Financing Program.

“**Appropriation Condition**” means the procedural appropriation by the State for the Project through the inclusion of the Project on the Project Priority List (which Project Priority List is required pursuant to the Act) in an appropriation amount equal to or greater than the Principal amount of the Loan then due and payable by the Borrower pursuant to the terms hereof.

“Authorized Officer” means any person authorized by the Borrower or the I-Bank, as the case may be, to perform any act or execute any document relating to the Loan or this Note.

“Code” means the Internal Revenue Code of 1986, as the same may from time to time be amended and supplemented, including any regulations promulgated thereunder, any successor code thereto and any administrative or judicial interpretations thereof.

“Cost” means those costs that are allocable to the Project, as shall be determined on a project-specific basis in accordance with the Regulations, as further set forth in Exhibit B hereto, (i) as such Exhibit B shall be supplemented by an Authorized Officer of the I-Bank by means of either a substitute Exhibit B or an additional Exhibit B, such supplement to be implemented concurrently with the supplement to Exhibit A-1 hereto (as provided in the definition of “Project” as set forth herein), and (ii) as the then-current Exhibit B may be amended by subsequent changes to eligible costs as evidenced by a certificate of an Authorized Officer of the I-Bank.

“Environmental Infrastructure Facilities” means Wastewater Treatment Facilities, Stormwater Management Facilities or Water Supply Facilities (as such terms are defined in the Regulations).

“Environmental Infrastructure System” means the Environmental Infrastructure Facilities of the Borrower, including the Project, for which the Borrower is receiving the Loan.

“Event of Default” means any occurrence or event specified in Section 6 hereof.

“Fund Portion” means, on any date, an amount equal to seventy-five percent (75%) of the Principal of the Loan on such date, exclusive of that portion of the Principal of the Loan that is allocable to the NJDEP Loan Origination Fee, which NJDEP Loan Origination Fee shall be financed exclusively from the I-Bank Portion.

“I-Bank Bonds” means the revenue bonds of the I-Bank to be issued, as part of the Anticipated Financing Program.

“I-Bank Portion” means, on any date, an amount equal to the aggregate of (i) twenty-five percent (25%) of the Principal of the Loan on such date, exclusive of that portion of the Principal of the Loan that is allocable to the NJDEP Loan Origination Fee, plus (ii) one hundred percent (100%) of that portion of the Principal of the Loan that is allocable to the NJDEP Loan Origination Fee.

“I-Bank Portion Interest Rate” means, with respect to each disbursement of proceeds of the I-Bank Portion of the Loan, (a) to the extent that such disbursement is funded from moneys appropriated to the I-Bank, for the Construction Financing Loan Program of the I-Bank, pursuant to an appropriations act of the State, the I-Bank Portion Interest Rate shall equal 0.00%, (b) to the extent that such disbursement is funded from available moneys of the I-Bank that are neither (i) appropriated to the I-Bank as provided by the preceding clause (a), nor (ii) borrowed from a financial institution pursuant to a line of credit or other similar financial instrument as

provided by the succeeding clause (c), the I-Bank Portion Interest Rate shall equal the interest rate that is published as either the Thompson Financial TM3 “AAA” Municipal Market Data General Obligation Index (Tax-Exempt) or the “BVAL” Index (relating to general obligation, tax exempt credits) of Bloomberg L.P. (or any subsidiary thereof), (with the particular index that is used by the I-Bank to be selected by an Authorized Officer of the I-Bank) or, if such indexes are no longer published on such date, such successor index as may be selected by an Authorized Officer of the I-Bank, in each case for the number of years that corresponds to the length of time from the date such disbursement is made available to the Borrower by the I-Bank to the Maturity Date, rounding up to the nearest year, or (c) to the extent that such disbursement is funded from available moneys of the I-Bank borrowed from a financial institution pursuant to a line of credit or other similar financial instrument, the I-Bank Portion Interest Rate shall equal the actual rate of interest established by the applicable financial institution pursuant to a competitive or negotiated solicitation by the I-Bank with respect to such line of credit or other financial instrument.

“Interest” means the interest charged on the outstanding Principal of the Loan at a rate of (a) with respect to the I-Bank Portion of the Principal, the applicable I-Bank Portion Interest Rate and (b) with respect to the Fund Portion of the Principal, 0.00%, and payable by the Borrower to the I-Bank (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan pursuant to the terms of this Note, on the date of such optional prepayment or acceleration, as the case may be.

“Loan” means the loan of the Principal, made by the I-Bank to the Borrower to finance or refinance a portion of the Cost of the Project, as evidenced by this Note.

“Loan Disbursement Requisition” means the requisition, to be executed by an Authorized Officer of the Borrower and approved by the NJDEP, in a form to be determined by the I-Bank and the NJDEP.

“Maturity Date” means June 30, 2021, or (i) such earlier date as shall be determined by an Authorized Officer of the I-Bank in his or her sole discretion, which date shall be determined by such Authorized Officer of the I-Bank to be the date of the closing for the Anticipated Financing Program (subject, in all events, to the rights and remedies of the I-Bank pursuant to, respectively, the provisions of Section 6 hereof and the provisions of Section 7 hereof in furtherance of the enforcement by the I-Bank of all covenants obligations of the Borrower hereunder, including, without limitation and in particular, the covenant obligation of the Borrower set forth in Section 3(a) hereof), or (ii) such later date (subject to the then-applicable limits of the Act) to be determined by an Authorized Officer of the I-Bank in his or her sole discretion, pursuant to a written certification thereof, as acknowledged and approved by an Authorized Officer of the Borrower.

“NJDEP” means the New Jersey Department of Environmental Protection.

“NJDEP Loan Origination Fee” means the “NJDEP Fee” as referenced and defined in Exhibit B hereto, which NJDEP Fee is an administrative fee that is payable by the Borrower to

the NJDEP as a portion of the Cost of the Project that has been incurred by the Borrower for engineering and environmental services provided to the Borrower by the NJDEP.

“Principal” means the principal amount of the Loan, at any time being the lesser of (i) _____ Dollars (\$ _____), or (ii) the aggregate outstanding amount as shall actually be disbursed to the Borrower by the I-Bank pursuant to one or more Loan Disbursement Requisitions, which Principal shall be payable by the Borrower to the I-Bank (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan pursuant to the terms of this Note, on the date of such optional prepayment or acceleration, as the case may be.

“Project” means the Environmental Infrastructure Facilities of the Borrower which constitutes a project for which the I-Bank is making the Loan to the Borrower, as further described in Exhibit A-1 hereto; provided, however, that the description of the Project, as set forth in Exhibit A-1 attached hereto, shall be supplemented by means of either (i) the substitution of a revised and updated Exhibit A-1 for the current Exhibit A-1 or (ii) the inclusion of an additional Exhibit A-1, in either case, promptly following the certification for funding by the NJDEP of the remaining components of the Project, as applicable, such supplement to be undertaken by an Authorized Officer of the I-Bank.

“Regulations” means the rules and regulations, as applicable, now or hereafter promulgated pursuant to N.J.A.C. 7:22-3 *et seq.*, 7:22-4 *et seq.*, 7:22-5 *et seq.*, 7:22-6 *et seq.*, 7:22-7 *et seq.*, 7:22-8 *et seq.*, 7:22-9 *et seq.* and 7:22-10 *et seq.*, as the same may from time to time be amended and supplemented.

“State” means the State of New Jersey.

SECTION 2. Representations of the Borrower. The Borrower represents and warrants to the I-Bank:

(a) Organization. The Borrower: (i) is an instrumentality of the State of New Jersey validly existing under the laws of the State; (ii) has full legal right and authority to execute, attest and deliver this Note, to sell this Note to the I-Bank, and to perform its obligations hereunder, and (iii) has duly authorized, approved and consented to all necessary action to be taken by the Borrower for: (A) the issuance of this Note, the sale thereof to the I-Bank and the due performance of its obligations hereunder and (B) the execution, delivery and due performance of all certificates and other instruments that may be required to be executed, delivered and performed by the Borrower in order to carry out and give effect to this Note.

(b) Authority. This Note has been duly authorized by the Borrower and duly executed, attested and delivered by Authorized Officers of the Borrower. This Note has been duly sold by the Borrower to the I-Bank and duly issued by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be affected by bankruptcy, insolvency or other laws or the application by a court of legal or equitable principles affecting creditors' rights.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower that, if adversely determined, would adversely affect (i) the condition (financial or otherwise) of the Borrower, (ii) the ability of the Borrower to satisfy all of its Loan repayment obligations hereunder, (iii) the authorization, execution, attestation or delivery of this Note, (iv) the issuance of this Note and the sale thereof to the I-Bank, and (v) the Borrower's ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Note.

(d) Compliance with Existing Laws and Agreements; Governmental Consent. (i) The due authorization, execution, attestation and delivery of this Note by the Borrower and the sale of this Note to the I-Bank, (ii) the observation and performance by the Borrower of its duties, covenants, obligations and agreements hereunder, including, without limitation, the repayment of the Loan and all other amounts due hereunder, and (iii) the undertaking and completion of the Project, will not (A) other than the lien, charge or encumbrance created by this Note and by any other outstanding debt obligations of the Borrower that are at parity with this Note as to lien on, and source and security for payment thereon from, the general tax revenues of the Borrower, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Borrower pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations are subject. The Borrower has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation and delivery of this Note, for the sale of this Note to the I-Bank, for the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Note, and for the undertaking and completion of the Project.

(e) Reliance. The Borrower hereby acknowledges that the I-Bank is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the representations of the Borrower set forth in this Section 2.

SECTION 3. Covenants of the Borrower.

(a) Participation in the Anticipated Financing Program. The Borrower covenants and agrees that it shall undertake and complete in a timely manner all conditions precedent identified by the I-Bank relating to (i) the participation by the Borrower in the Anticipated Financing Program and (ii) the qualification by the Borrower for receipt of the Anticipated Long Term Loan.

(b) Full Faith and Credit Pledge. To secure the repayment obligation of the Borrower with respect to this Note, and all other amounts due under this Note, the Borrower

unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of any and all obligations and amounts due under this Note. The Borrower acknowledges that, to assure the continued operation and solvency of the I-Bank, the I-Bank may, pursuant to and in accordance with Section 12a of the Act, require that if the Borrower fails or is unable to pay promptly to the I-Bank in full any Loan repayments, any Interest or any other amounts due pursuant to this Note, an amount sufficient to satisfy such deficiency shall be paid by the State Treasurer to the I-Bank from State-aid otherwise payable to the Borrower.

(c) Disposition of Environmental Infrastructure System. The Borrower covenants and agrees that it shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System without the express written consent of the I-Bank, which consent may or may not be granted by the I-Bank in its sole discretion.

(d) Financing With Tax-Exempt Bonds. The Borrower acknowledges, covenants and agrees that it is the intention of the Borrower to finance the Project on a long term basis with proceeds of I-Bank Bonds now or hereinafter issued, the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103(a) of the Code (“tax- exempt bonds”). In furtherance of such long term financing with tax-exempt bonds, the Borrower covenants that, except to the extent expressly permitted in writing by the I-Bank, the Borrower will not take any action or permit any action to be taken which would result in any of the proceeds of the Loan being used (directly or indirectly) (i) in any “private business use” within the meaning of Section 141(b)(6) of the Code, (ii) to make or finance loans to persons other than the Borrower, or (iii) to acquire any “nongovernmental output property” within the meaning of Section 141(d)(2) of the Code. In addition, the Borrower covenants and agrees that no portion of the Project will be investment property, within the meaning of Section 148(b) of the Code. The Borrower covenants and agrees that any Costs of the Borrower’s Project to be paid or reimbursed with proceeds of the Loan will result in the expenditure of proceeds under Treasury Regulations §1.148-6(d) and Treasury Regulations §1.150-2.

(e) Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall maintain its Environmental Infrastructure System in good repair, working order and operating condition, and make all necessary and proper repairs and improvements with respect thereto.

(f) Records and Accounts; Inspections. The Borrower covenants and agrees that it shall keep accurate records and accounts for its Environmental Infrastructure System (the “System Records”), separate and distinct from its other records and accounts (the “General Records”), which shall be audited annually by an independent registered municipal accountant and shall be made available for inspection by the I-Bank upon prior written notice. The Borrower shall permit the I-Bank to inspect the Environmental Infrastructure System.

(g) Insurance. The Borrower covenants and agrees that it shall maintain insurance policies providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System, in an amount that will satisfy all applicable regulatory requirements. The Borrower covenants and agrees that it shall include, or cause to be included, the I-Bank as an

additional “named insured” on any certificate of liability insurance procured by the Borrower and by any contractor or subcontractor for the Project.

(h) Reliance. The Borrower hereby acknowledges that the I-Bank is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the covenants of the Borrower set forth in this Section 3.

SECTION 4. Disbursement of the Loan Proceeds; Amounts Payable; Prepayment; and Late Fee.

(a) The I-Bank shall effectuate the Loan to the Borrower by making one or more disbursements to the Borrower promptly after receipt by the I-Bank of a Loan Disbursement Requisition and the approval of such Loan Disbursement Requisition by an Authorized Officer of the I-Bank or designee thereof, each such disbursement and the date thereof to be recorded by an Authorized Officer of the I-Bank on the table attached as Exhibit A-2 hereto; provided, however, that the approval by the I-Bank of any Loan Disbursement Requisition for disbursement pursuant to the terms hereof shall be subject to the terms, conditions and limitations as set forth in Section 4(b) of this Note. It is expected that the proceeds of the Loan will be disbursed to the Borrower in accordance with Exhibit C hereto, as Exhibit C shall be supplemented by an Authorized Officer of the I-Bank by means of either a substitute Exhibit C or an additional Exhibit C, such supplement to be implemented concurrently with the supplement to Exhibit A-1 hereto (as provided in the definition of “Project” as set forth herein). The latest date upon which the Borrower may submit to the I-Bank a Loan Disbursement Requisition is the business day immediately preceding the date fixed by the I-Bank for the sale of its bonds in connection with the Anticipated Financing Program, or such alternative date as shall be identified by the I-Bank for the Borrower in writing. On the Maturity Date, the Borrower shall repay the Loan to the I-Bank in an amount equal to: (i) the Principal; (ii) the Interest; (iii) the Administrative Fee, if any; and (iv) any other amounts due and owing pursuant to the provisions of this Note. The Borrower may prepay the Loan obligations hereunder, in whole or in part, upon receipt of the prior written consent of an Authorized Officer of the I-Bank. Each payment made to the I-Bank shall be applied to the payment of, first, the Interest then due and payable, second, the Principal, third, the Administrative Fee, if any, fourth, any late charges, and, finally, any other amount due pursuant to the provisions of this Note. In the event that the repayment obligation set forth in this Note is received by the I-Bank later than the Maturity Date, a late fee shall be payable to the I-Bank in an amount equal to the greater of twelve percent (12%) per annum or the prime rate as published in the Wall Street Journal on the Maturity Date plus one half of one percent per annum on such late payment from the Maturity Date to the date it is actually paid; provided, however, that any late payment charges incurred hereunder shall not exceed the maximum interest rate permitted by law. Notwithstanding the provisions of this Section 4(a) to the contrary, the Borrower hereby acknowledges and agrees that, on the date of issuance of this Note, a disbursement shall be made and shall be recorded by an Authorized Officer of the I-Bank on the table attached as Exhibit A-2 hereto in the amount recorded thereon. Such disbursement shall be made for the purpose of funding fifty percent (50%) of the NJDEP Loan Origination Fee. Such disbursement shall be paid by the I-Bank on behalf of the Borrower directly to the NJDEP in satisfaction of the provisions hereof.

(b) Notwithstanding the provisions of this Note to the contrary with respect to the funding, pursuant to this Section 4, of any Loan Disbursement Requisition relating to all or any portion of the Project: (i) the Borrower hereby acknowledges and agrees that the I-Bank shall not, and shall not be required to, commit funds, pursuant to the Construction Financing Loan Program of the I-Bank, to any portion of the Project until such time as the particular portion of the Project in question has been certified for funding by the NJDEP; (ii) no Loan Disbursement Requisition shall be approved by the I-Bank for disbursement pursuant to this Section 4 unless and until the portion of the Project to which such Loan Disbursement Requisition relates has been certified for funding by the NJDEP; (iii) no Loan Disbursement Requisition shall be approved by the I-Bank for disbursement pursuant to this Section 4 unless and until the Appropriation Condition has been satisfied to an extent and in an amount that is sufficient to fund, in the aggregate, the particular Loan Disbursement Requisition in question and all prior Loan Disbursement Requisitions; and (iv) the I-Bank has no obligation pursuant to this Note to make all or any portion of any Loan Disbursement Requisition disbursement pursuant to the provisions of this Section 4 if the Borrower lacks the authority to pay interest on this Note in an amount equal to the I-Bank Portion Interest Rate.

SECTION 5. Unconditional Obligations. The direct, general obligation of the Borrower to make the Loan repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner whatsoever while any Loan repayments, or any other payments due hereunder, remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the I-Bank to perform and observe any agreement or any duty, liability or obligation arising out of this Note, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might have against the I-Bank or any other party; provided, however, that payments hereunder shall not constitute a waiver of any such rights.

SECTION 6. Events of Default. The following events shall constitute an “Event of Default” hereunder: (i) failure by the Borrower to pay, when due, any and all of its Loan repayment obligations hereunder, and any other payment obligations due hereunder; (ii) failure by the Borrower to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed pursuant to the terms of this Note; (iii) any representation made by the Borrower contained in this Note or in any instrument furnished in compliance with or with reference to this Note is false or misleading in any material respect; and (iv) a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Note or thereafter enacted, unless in the case of any such petition filed against the Borrower such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal, or the Borrower shall become insolvent or bankrupt or shall make an assignment for the benefit of its creditors, or a custodian

of the Borrower or any of its property shall be appointed by court order or take possession of the Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days.

SECTION 7. Remedies upon Event of Default. Whenever an Event of Default shall have occurred and be continuing pursuant to the terms hereof, the Borrower hereby acknowledges and agrees to the rights of the I-Bank to take any action permitted or required at law or in equity to collect the amounts then due and thereafter to become due hereunder or to enforce the observance and performance of any duty, covenant, obligation or agreement of the Borrower hereunder. If an Event of Default shall have occurred, the Borrower hereby acknowledges and agrees that the I-Bank shall have the right to (i) immediately cease disbursements of the proceeds of the Loan, and/or (ii) declare all Loan repayments and all other amounts due hereunder to be due and payable immediately without further notice or demand. The Borrower hereby acknowledges and agrees that no remedy herein is intended to be exclusive, and every remedy shall be cumulative and in addition to every other remedy given under this Note or now or hereafter existing at law or in equity. The Borrower hereby further acknowledges and agrees that no delay or omission by the I-Bank to exercise any remedy or right accruing upon any Event of Default shall impair any such remedy or right or shall be construed to be a waiver thereof, but any such remedy or right may be exercised as often as may be deemed expedient. The Borrower hereby further acknowledges and agrees that, pursuant to the “New Jersey Infrastructure Bank Credit Policy”, adopted by the Board of Directors of the I-Bank, and as further amended and supplemented from time to time (the “Credit Policy”), during such time as an Event of Default has occurred and is continuing hereunder, the Borrower shall be ineligible for additional financial assistance from the I-Bank, in addition to certain other consequences set forth in the Credit Policy. The Borrower hereby agrees that upon demand it shall pay to the I-Bank the reasonable fees and expenses of attorneys and other reasonable expenses (including, without limitation, the reasonably allocated costs of in-house counsel and legal staff) incurred in the collection of Loan repayments or any sum due hereunder or in the enforcement of the observation or performance of any obligations or agreements of the Borrower upon an Event of Default. Any moneys collected by the I-Bank pursuant to this Section 7 shall be applied first to pay any attorneys’ fees or other fees and expenses owed by the Borrower.

SECTION 8. Certain Miscellaneous Provisions. The Borrower hereby acknowledges and agrees as follows: (a) all notices hereunder shall be deemed given when hand delivered or when mailed by registered or certified mail, postage prepaid, to the Borrower at the following address: [Name and Address of Borrower, Attention: Name of Authorized Officer]; and to the I-Bank at the following address: New Jersey Infrastructure Bank, 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey 08648-2201, Attention: Executive Director; (b) this Note shall be binding upon the Borrower and its successors and assigns; (c) in the event any provision of this Note is held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof; (d) the obligations of the Borrower pursuant to the terms of this Note may not be assigned by the Borrower for any reason, unless the I-Bank shall have approved said assignment in writing; (e) this Note may not be amended, supplemented or modified without the prior written consent of the I-Bank; (f) this Note shall be governed by and construed in accordance with the laws of the State; (g) the Borrower shall, at the request of the I-Bank,

execute and deliver such further instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Note; and (h) whenever the Borrower is required to obtain the determination, approval or consent of the I-Bank pursuant to the terms hereof, such determination, approval or consent may be either granted or withheld by the I-Bank in its sole and absolute discretion.

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IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed, sealed and delivered on the date first above written.

RUTGERS, THE STATE UNIVERSITY

[SEAL]

ATTEST:

By: _____
Executive Vice President for Finance
and Administration and
University Treasurer

Secretary