

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."



**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS (STANFORD UNIVERSITY)**

**\$124,115,000
SERIES U-5**

**\$278,980,000
SERIES U-6**

Dated: Date of Delivery

Due: May 1, as shown below

The Series U-5 Bonds and the Series U-6 Bonds (together, the "Bonds") will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on each May 1 and November 1, commencing November 1, 2014. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Principal of and interest on the Bonds will be payable directly to DTC, as the registered owner of the Bonds, by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, all notices will be mailed only to Cede & Co. See Appendix C – "BOOK-ENTRY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption."

The Bonds are being issued by the California Educational Facilities Authority (the "Authority") for the benefit of The Board of Trustees of the Leland Stanford Junior University (the "University") pursuant to an Indenture, dated as of May 1, 2010, as supplemented from time to time, including by the Third Supplemental Indenture, dated as of May 1, 2014 and the Fourth Supplemental Indenture, dated as of May 1, 2014 (as supplemented, the "Indenture"), by and between the Authority and the Trustee. The Bonds are limited obligations of the Authority payable only out of Revenues as defined in the Indenture and other amounts held in the funds established by the Indenture. The Revenues consist primarily of loan payments to be made under a Loan Agreement (as defined herein) by

STANFORD UNIVERSITY

The University plans to use the proceeds of the Bonds to finance or refinance certain capital projects of the University, including by paying down commercial paper issued by the University. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The University has other unsecured general obligations outstanding. Moreover, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement. See "SECURITY FOR THE BONDS" herein.

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS THEREFOR PROVIDED. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE PREMIUM, IF ANY, OR THE INTEREST THEREON EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND THE OTHER ASSETS PLEDGED UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.

MATURITY SCHEDULE

\$124,115,000 5.00% Term Series U-5 Bond due May 1, 2021 Yield 1.75% CUSIP[†]: 1301783X2
\$278,980,000 5.00% Term Series U-6 Bond due May 1, 2045 Yield 3.625% CUSIP[†]: 1301783W4

The Bonds are offered by the Underwriters when, as and if issued by the Authority and accepted by the Underwriters subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by the Attorney General of the State of California, for the Underwriters by Hawkins Delafield & Wood LLP, and for the University by its General Counsel and Ropes & Gray LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 14, 2014.

HONORABLE BILL LOCKYER
Treasurer of the State of California
As Agent for Sale

Series U-6 Underwriters

Goldman, Sachs & Co.
Citigroup

J.P. Morgan

Barclays
Wells Fargo Securities

Series U-5 Underwriters

Wells Fargo Securities

Barclays

Dated: April 30, 2014

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. None of the Authority, the University or the Underwriters take any responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the Authority, the University or the Underwriters to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

The information relating to the Authority set forth herein under the captions "THE AUTHORITY" and "REGULATORY MATTERS AND LITIGATION" (solely as it relates to the Authority) has been furnished by the Authority. The Authority does not warrant the accuracy of the statements contained herein relating to the University, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the University, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds. The Authority makes no representations or warranties whatsoever with respect to any information contained herein except for the information under the captions "THE AUTHORITY" and "REGULATORY MATTERS AND LITIGATION" (solely as it relates to the Authority).

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University since the date hereof. See "CERTAIN INVESTMENT CONSIDERATIONS" herein.

In connection with this offering, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS (STANFORD UNIVERSITY)**

**\$124,115,000
SERIES U-5**

**\$278,980,000
SERIES U-6**

INTRODUCTION

This Introduction does not purport to be complete, and reference is made to the remainder of this Official Statement, the Appendices and the documents referred to herein for more complete statements with respect to the matters summarized. Capitalized terms not otherwise defined will have the meanings set forth in Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions."

General

This Official Statement, including the cover page and Appendices hereto (this "Official Statement"), provides certain information in connection with the offering of \$124,115,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-5 (the "Series U-5 Bonds") and \$278,980,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-6 (the "Series U-6 Bonds," and together with the Series U-5 Bonds, the "Bonds").

The Bonds will be issued pursuant to the provisions of the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State of California, as amended (the "Act"), and the Indenture (defined below).

The Bonds will be issued pursuant to and secured by an Indenture, dated as of May 1, 2010, as supplemented from time to time, including by a Third Supplemental Indenture, dated as of May 1, 2014 and a Fourth Supplemental Indenture, dated as of May 1, 2014 (as supplemented, the "Indenture"), between the California Educational Facilities Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Authority will lend the proceeds of the Bonds to The Board of Trustees of the Leland Stanford Junior University (the "University") pursuant to a Loan Agreement, dated as of May 1, 2010, as supplemented from time to time, including by a Third Supplemental Loan Agreement, dated as of May 1, 2014 and a Fourth Supplemental Loan Agreement, dated as of May 1, 2014 (as supplemented, the "Loan Agreement"), between the Authority and the University.

Purpose of the Bonds

The Authority approved the issuance of the Bonds to finance and/or refinance certain capital projects of the University pursuant to Resolution No. 273, adopted on March 17, 2010, as amended by the First Amendment to Resolution No. 273, adopted on April 25, 2013 and the Second Amendment to Resolution No. 273, adopted on April 24, 2014 (as amended, the "Series U Resolution").

The Authority will lend the proceeds of the Bonds to the University pursuant to the Loan Agreement in order to finance or refinance certain capital projects of the University, including by paying down commercial paper issued by the University. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

The University

Founded in 1885, Stanford University is one of a select group of universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body.

For additional information concerning the University, see Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)" attached hereto.

The Bonds

The Bonds are to be dated as of the date of their initial issuance and delivery. The Bonds are issuable in fully registered, book-entry form, and have interest and payment terms as set forth in the Indenture and as described herein. See "THE BONDS."

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest on the Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Bonds. Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (as defined in Appendix C) of the Bonds. Purchasers will not receive certificates representing the Bonds purchased by them. See Appendix C – "BOOK-ENTRY SYSTEM."

Security for the Bonds

The Bonds are payable from loan payments to be paid by the University to the Trustee pursuant to the Loan Agreement. The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The University has other unsecured general obligations outstanding. The Loan Agreement contains certain covenants for the protection of the Holders of the Bonds and the Authority. See Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Loan Agreement." The Bonds are not secured by a reserve fund, or a lien on, or security interests in, any funds, revenues or other assets of the University, except to the extent pledged pursuant to the Indenture as described below. The affiliates of the University described in Appendix A hereto are not obligated with respect to the payment of debt service on the Bonds and their assets and revenues are not pledged and are not expected to be available to the University or the Bondholders for such purpose.

The Indenture provides that all Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account held by the Trustee and established pursuant to the Indenture (other than the Rebate Fund and the Purchase Fund) are to be held in trust and are exclusively and irrevocably pledged for the security and payment of the principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" herein.

For additional information concerning the provisions of the Indenture and the Loan Agreement, see Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Continuing Disclosure

The University will undertake in a Continuing Disclosure Agreement, for the benefit of the Holders of the Bonds, to provide to the Trustee certain annual information and notices required to be provided by Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" and Appendix D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Miscellaneous

Included in this Official Statement and the Appendices hereto are descriptions of the University, the Bonds, the Indenture and the Loan Agreement. All references herein to the Indenture, the Loan Agreement and other documents relating to the Bonds are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the terms thereof and the information regarding the Bonds included in the Indenture. All descriptions are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors' rights. The agreements of the Authority with the Holders of the Bonds are fully set forth in the Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the Holders of the Bonds. Insofar as any statements are made in this Official Statement involving matters of opinion, regardless of whether expressly so stated, they are intended merely as such and not as representations of fact. The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University.

Additional information regarding this Official Statement and copies of the documents referred to herein may be obtained by contacting the Office of the Treasurer, Stanford University, 3145 Porter Drive, Palo Alto, California 94304-8440, or on-line at <http://bondholder-information.stanford.edu/home.html>. The information on the University's website is not a part of this Official Statement.

THE AUTHORITY

General

The California Educational Facilities Authority is a public instrumentality of the State of California created pursuant to the provisions of the Act. The Authority is authorized to issue the Bonds under the Act, to make the loan contemplated by the Loan Agreement and to secure the Bonds by a pledge of the Revenues received by the Authority pursuant to the Loan Agreement and certain other sources of payment as provided in the Indenture, including amounts held in the funds or accounts established pursuant to the Indenture (excluding the Rebate Fund).

Organization and Membership of the Authority

The membership of the Authority consists of the Treasurer, the Controller and the Director of Finance of the State of California and two members appointed by the Governor of the State of California. Of the two appointed members, one must be affiliated with a public institution of higher education as a governing board member or in an administrative capacity and the other must be affiliated with a private institution of higher education as a governing board member or in an administrative capacity.

The members of the Authority serve without compensation but are entitled to reimbursement of actual and necessary expenses incurred in the performance of their duties.

The present members and officers of the Authority and their occupations are as follows:

Bill Lockyer, Chairman, Treasurer of the State of California

John Chiang, Member, Controller of the State of California

Michael Cohen, Member, Director of Finance of the State of California

William G. McGinnis, Member, Trustee, Butte-Glenn Community College District Board of Trustees

Stacy Lewis Daher, Member, Associate Vice President, Office of Finance and Treasury, University of San Francisco

Ronald L. Washington is the Executive Director of the Authority and is responsible to the Authority for the management of its affairs. The Attorney General of the State of California is acting as counsel to the Authority. Public Financial Management, Inc., San Francisco, California, serves as pricing advisor to the Authority.

Outstanding Indebtedness of the Authority

The Act does not limit the amount of indebtedness the Authority may have outstanding from time to time. As of March 31, 2014, the Authority had outstanding \$4,260,626,759 aggregate principal amount of bonds and notes (excluding certain bonds and notes which have been defeased) issued on behalf of various California independent colleges and universities.

PLAN OF FINANCE

The Authority will lend the proceeds of the Series U-5 Bonds to the University pursuant to the Loan Agreement in order to pay down commercial paper issued by the University that was applied to pay a portion of the California Educational Facilities Authority Revenue Bonds (Stanford University) Series T-4 at maturity. The Authority will lend the proceeds of the Series U-6 Bonds to the University to finance or refinance certain capital projects of the University approved pursuant to the Series U Resolution (the "Series U Project"), including by paying down commercial paper issued by the University.

The Indenture provides that additional series of bonds may be issued after satisfying certain conditions under the Indenture. See Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." After the issuance of the Bonds, \$96,950,000 in bonds will remain authorized and unissued under the Series U Resolution.

On or about May 7, 2014, the University plans to issue its Taxable Bonds Series 2014 (the "2014 Taxable Bonds") in the aggregate principal amount of \$150,000,000. The University plans to use the proceeds of the 2014 Taxable Bonds for general corporate purposes, including without limitation, financing and refinancing capital projects. If issued, the 2014 Taxable Bonds will be unsecured general obligations of the University.

SOURCES AND USES OF FUNDS

Estimated sources and uses of funds related to the Bonds are shown below:

	<u>Series U-5 Bonds</u>	<u>Series U-6 Bonds</u>
SOURCES		
Principal amount of the Bonds	\$124,115,000	\$278,980,000
Plus Original Issue Premium	26,335,962	71,022,728
University Contribution	<u>472,963</u>	<u>1,274,651</u>
Total Sources	<u>\$150,923,925</u>	<u>\$351,277,379</u>
USES		
Pay down of University's Commercial Paper	\$150,448,751	–
Series U Project Construction Fund	–	\$350,002,728
Costs of Issuance ⁽¹⁾	<u>475,174</u>	<u>1,274,651</u>
Total Uses	<u>\$150,923,925</u>	<u>\$351,277,379</u>

⁽¹⁾ Costs of issuance will be paid primarily out of the University's contribution and includes fees of the Authority, the Rating Agencies, the Trustee, Bond Counsel, Counsel to the University and the Underwriters' compensation, as well as certain other costs incurred in connection with the issuance and delivery of the Bonds.

THE BONDS

General

The Bonds will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Bonds are being issued in the aggregate principal amount and will mature on the date set forth on the cover page hereof. The Bonds are to be dated as of the date of their initial issuance and delivery and will bear interest from such date at the rates set forth on the cover page hereof. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2014, and will be calculated based on a 360-day year of twelve (12) 30-day months.

The Bonds will be issued only in book-entry form and, when issued, will be registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC as nominee of DTC. DTC will act as securities depository for the Bonds. See Appendix C – "BOOK-ENTRY SYSTEM." Except as described in Appendix C – "BOOK-ENTRY SYSTEM," Beneficial Owners of the Bonds will not receive, or have the right to receive, physical delivery of certificates representing their ownership interests in the Bonds. For so long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is or acts through a Direct Participant (as defined in Appendix C) to receive payment of the principal and interest on such Bond.

Interest payable on any Interest Payment Date will be payable to the registered owner of the Bonds as of the Record Date for such payment. So long as the Bonds are held in the book-entry system, the principal and interest on the Bonds will be paid through the facilities of DTC (or a successor securities depository). Otherwise, the principal of and premium, if any on the Bonds is payable in lawful money of the United States of America upon surrender thereof at the principal corporate trust office of the Trustee, and interest on the Bonds is payable by check mailed on each Interest Payment Date to the Holders of the Bonds at the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of Holders as appears on the registration books of the Trustee. In the case of any

Holder of the Bonds in an aggregate principal amount in excess of \$1,000,000 as shown on the registration books of the Trustee who, prior to the Record Date next preceding any Interest Payment Date, has provided the Trustee with wire transfer instructions, interest payable on such Bonds will be paid in accordance with the wire transfer instructions provided by the Holder of such Bond and at the Holder's risk and expense.

Pursuant to the Indenture, the Trustee will require the Bondholder requesting a transfer or exchange of any Bond to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange, and the Trustee also may require the Bondholder requesting a transfer or exchange of any Bond to pay a reasonable sum to cover expenses incurred by the Trustee or the Authority in connection with such transfer or exchange.

Redemption and Redemption Price

Make-Whole Redemption. The Bonds of a Series are subject to optional redemption prior to their stated maturity, as a whole or in part on any date, by the Authority at the direction of the University, from any moneys received by the Trustee from the University pursuant to the Loan Agreement and deposited in the Optional Redemption Account, at a redemption price equal to the greater of:

- one hundred percent (100%) of the Amortized Value (as described below) of such Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption; or
- an amount equal to the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such Bonds to be redeemed from and including the date of redemption to the stated maturity date of such Bonds, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (as described below) for such Bonds minus twenty-five basis points (0.25%).

The "Applicable Tax-Exempt Municipal Bond Rate" for such Bonds will be the "Comparable AAA General Obligations" yield curve rate for the stated maturity date of such Bonds as published by Municipal Market Data five business days prior to the date of redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight-line basis.

In calculating the Applicable Tax-Exempt Municipal Bond Rate, should Municipal Market Data no longer publish the "Comparable AAA General Obligations" yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Consensus Scale yield curve rate for the applicable year. The Consensus Scale yield curve rate published by Municipal Market Advisors for the applicable year.

In the further event that Municipal Market Advisors no longer publishes the Consensus Scale, the Applicable Tax-Exempt Municipal Bond Rate for the Series U-5 Bonds and the Series U-6 Bonds will be determined by Wells Fargo Bank, National Association and Goldman, Sachs & Co., respectively, or a successor determined by the University, as the quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service and Standard & Poor's Rating Services with a maturity date equal to the stated maturity date of such Bonds to be redeemed having characteristics (other than the ratings) most comparable to those of such Bonds in the judgment of the quotation agent. The

quotation agent's determination of the Applicable Tax-Exempt Municipal Bond Rate is final and binding in the absence of manifest error.

The "Amortized Value" will equal the principal amount of the Bonds to be redeemed multiplied by the price of such Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such Bonds and a yield equal to such Bonds' original reoffering yield as set forth on the cover of this Official Statement.

The redemption price of the Bonds described above will be determined by an independent accounting firm, investment banking firm or financial advisor (which accounting firm or financial advisor shall be retained by the University at the expense of the University) to calculate such redemption price. The Trustee, the Authority and the University may conclusively rely on such accounting firm's, investment banking firm's or financial advisor's determination of such redemption price and will bear no liability for such reliance.

No Mandatory Sinking Fund Redemption. The Bonds are not subject to mandatory redemption prior to their stated maturities.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of a Series of Bonds, the Trustee will select the Bonds of such Series to be redeemed, from all Bonds of such Series subject to redemption or such given portion thereof not previously called for redemption, in such order as will be specified in a Request of the University or, if there is no such Request, in the order of maturity, and by lot within a maturity. The Trustee will promptly notify the Authority in writing of the numbers of the Bonds of such Series so selected for redemption.

Notice of Redemption. Not less than five (5) days (or such shorter time as may be agreed to by the University and the Trustee) prior to the date that notice of redemption is due to be given by the Trustee in accordance with the following sentence, the University shall provide written notice to the Trustee and the Authority regarding its intent to prepay all or any part of Base Loan Payments pursuant to the Loan Agreement. After receipt of such notice of prepayment pursuant to the Loan Agreement, notice of redemption will be given by the Trustee for and on behalf of the Authority, by Mail, not less than 7 days (or, if longer, the minimum number of days necessary to comply with the operational requirements of the Depository then in effect, which is currently thirty (30) days under DTC's operational arrangements) nor more than sixty (60) days prior to the date fixed for redemption, to: (1) the Authority, (2) the Holder of each Bond affected at the address shown on the registration books of the Trustee on the date such notice is mailed, (3) the Depository, (4) the Municipal Securities Rulemaking Board, and (5) in the case of optional redemption, each Rating Agency then rating the Bonds.

Each notice of redemption will state the date of such notice, the Bonds to be redeemed, the date of issue of the Bonds, the date fixed for redemption, the redemption price of the Bonds to be redeemed, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the source of funds for any optional redemption and, as further described in the following paragraph, if such funds are not then held by the Trustee, that such redemption will be cancelled if the funds are not held by the Trustee on the date fixed for redemption, the CUSIP number of the Bonds, the principal amount, the distinctive certificate numbers of the Bonds or portions thereof to be redeemed, the interest rate on the Bonds to be redeemed and will also state that the interest on the Bonds designated for redemption will cease to accrue from and after such date fixed for redemption and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed, interest accrued thereon to the date fixed for redemption and the redemption price thereof and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the securities information services or depositories designated by the University or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Holders of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Notice of redemption of Bonds will be given by the Trustee, at the expense of the University, for and on behalf of the Authority.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys will not have been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Any notice given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the University no later than five (5) Business Days prior to the date fixed for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Indenture.

So long as the book-entry system is in effect, the Trustee will send each notice of redemption to Cede & Co., as nominee of DTC, and not to the Beneficial Owners. So long as DTC or its nominee is the sole registered owner of the Bonds under the book-entry system, any failure on the part of DTC or a Direct Participant or Indirect Participant to notify the Beneficial Owner so affected will not affect the validity of the redemption.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Trustee will provide a replacement Bond in a principal amount equal to the portion of such Bond not redeemed, and deliver it to the registered owner thereof. The Bond so surrendered will be cancelled by the Trustee as provided in the Indenture. The Authority and the Trustee will be fully released and discharged from all liability to the extent of payment of the redemption price for such partial redemption.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price (including accrued interest to the date fixed for redemption) being held by the Trustee, Bonds so called for redemption will, on the date fixed for redemption designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption will cease to accrue, said Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. If such moneys are invested, they will be invested only in United States Government Obligations having a maturity of thirty (30) days or less.

All Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and delivered to or upon the Order of the Authority.

Mandatory Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any Bond, irrevocably grants to the University the option to purchase such Bond at any time such Bond is subject to optional redemption as provided in the Indenture, at a purchase price equal to one hundred percent (100%) of the then applicable redemption price of such Bond. In order to exercise such option,

the University will deliver to the Trustee and the Authority a Favorable Opinion of Bond Counsel to the effect that such purchase will not, in and of itself, cause the interest on the Bonds of the applicable Series to be included in gross income, and the University will direct the Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture. On the date fixed for purchase of any Bond pursuant to the Indenture, the University will pay the purchase price of such Bond to the Trustee in immediately available funds and the Trustee will pay the same to the Holders of Bonds being purchased against delivery thereof. Following such purchase, the Trustee will register such Bonds in accordance with the written instructions of the University. No purchase of any Bond pursuant to the Indenture will operate to extinguish the indebtedness evidenced by such Bond. No Holder may elect to retain a Bond subject to mandatory purchase pursuant to the Indenture. The University may exercise its option to purchase Bonds, in whole or in part, in accordance with the Indenture and may rescind any notice of mandatory purchase delivered pursuant to the Indenture at any time on or prior to the date of mandatory purchase specified in the notice of mandatory purchase delivered pursuant to the Indenture.

SECURITY FOR THE BONDS

The Bonds are payable from loan payments to be paid by the University to the Trustee pursuant to the Loan Agreement. The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The Loan Agreement contains certain covenants for the protection of the Holders of the Bonds and the Authority. See Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Loan Agreement." The Bonds are not secured by a reserve fund, or a lien on, or security interests in, any funds, revenues or other assets of the University, except to the extent pledged pursuant to the Indenture as described below. The affiliates of the University described in Appendix A hereto are not obligated with respect to the payment of debt service on the Bonds and their assets and revenues are not pledged and are not expected to be available to the University or the Bondholders for such purpose.

The Indenture provides that all Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account held by the Trustee and established pursuant to the Indenture (other than the Rebate Fund and the Purchase Fund) are to be held in trust and are exclusively and irrevocably pledged for the security and payment of the principal of and interest on the Bonds.

The Loan Agreement does not contain any financial covenants limiting the ability of the University to incur indebtedness or any other similar covenants. Further, the University is not required by the Loan Agreement to produce revenues at any specified level. The Loan Agreement contains certain covenants limiting the ability of the University to encumber or dispose of its Bond-financed property, but it does not contain general financial covenants limiting encumbrance or disposal of University property.

The University has other unsecured general obligations outstanding. See Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)." Moreover, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement.

For additional information concerning the provisions of the Indenture and the Loan Agreement, see Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds therefor

provided. Neither the State of California nor the Authority shall be obligated to pay the principal of the Bonds or the premium, if any, or the interest thereon except from Revenues and the other assets pledged under the Indenture and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or the premium, if any, or the interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the Holders of the Bonds upon an event of default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay, and such remedies may not be readily available or may be limited. In particular, under the United States Bankruptcy Code, a bankruptcy case may be filed by or against the University or by or against any of their affiliates. In general, the filing of any such petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party and, in the bankruptcy process, executory contracts such as the Loan Agreement or the Indenture may be subject to assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party. The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

CERTAIN INVESTMENT CONSIDERATIONS

The following are certain investment considerations that have been identified by the University and should be carefully considered by prospective purchasers of the Bonds. The following list should not be considered to be exhaustive. Investors should read the Official Statement in its entirety. Inclusion of certain factors below is not intended to signify that there are no other investment considerations or risks attendant to the Bonds. See Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)" for additional information about the University.

The University's stature in the educational community and its consolidated revenues, expenses, assets and liabilities may be affected by events, developments and conditions relating generally to, among other things, the ability of the University to (a) conduct educational and research activities of the types and quality required to maintain its stature, (b) generate sufficient revenues, while controlling expenses, to fund adequately the cost of these activities, (c) attract faculty, staff and management necessary to conduct these activities, (d) attract a student body of commensurate quality and (e) build and maintain the facilities necessary to conduct these activities.

Success in these areas depends upon the ability of the University and its management to respond to substantial challenges in a rapidly changing environment including, among others:

(i) Volatility and dislocations in the global financial markets and other economic factors may reduce the value of the University's endowment, impact investment returns, reduce investment income distributable from the endowment for operations and affect the ability of donors to contribute resources to support University operations and capital needs. See Notes 5, 6, 7, 12 and 14 to the

consolidated financial statements of the University for the years ended August 31, 2013 and 2012 (the "University's FY2013 Audited Financial Statements") included in Part II of Appendix A hereto.

(ii) Liquidity constraints arising from credit events impacting the University's ability to fund its commitments for operating expenses, construction, capital calls and possible tenders of variable debt of the University and its affiliates.

(iii) Developments in the regional, national and global economies, such as a protracted economic recession, variations in economic growth, changes in monetary policy and the related impact on the University's investment portfolio; federal research funding; increased demand for financial aid; extension of pledge payments; and increased interest rates and the associated impact on debt service.

(iv) Legislation and regulation by governmental authorities, including developments affecting the tax-exempt status of, and associated tax benefits accorded to, educational institutions such as the University, changes in levels of governmental research funding and reimbursement for administrative overhead and infrastructure, regulation of tuition levels and endowment payout, and conditions and limitations imposed by the Santa Clara County 2000 General Use Permit on the University's expansion and use of facilities.

(v) Ability to recruit and retain faculty and staff in light of the high regional cost of living and the limited availability of affordable housing within reasonable commuting distance.

The preservation and growth of the University's endowment are affected not only by the factors noted above but by discretionary changes in the annual payout to operations from endowment earnings, transfers of expendable funds and other distributions, all of which are subject to changes in policies and practices made by the Board of Trustees and University management.

In addition to the challenges noted above, a variety of risks, uncertainties and other factors may affect the financial strength and stature of the University. By its nature, the University is an open environment, potentially vulnerable to disruption of operations, injury and damage notwithstanding its security and public safety programs. It is subject to governmental investigations and enforcement action and private suits, and may incur substantial costs of defense, sanctions, penalties and reputational harm for violation of laws applicable to the University in its routine operations. The University is a large landowner and lessor and as such is subject to numerous environmental laws and regulations; it routinely stores, uses and produces hazardous substances in its operations; it houses several thousand students, faculty and others; it maintains confidential personal information and protected health information, including electronically, subject to information security and privacy laws. The University self-insures the first \$1,500,000 of property losses resulting from fire and other hazards, including terrorism, and carries limited property insurance for losses exceeding this amount. In addition, the University carries limited insurance for damage to facilities sustained from flooding and minimal insurance for damage to facilities due to seismic events. The University is located in a region that is subject to significant seismic activity. In the event of a significant seismic event, the University could suffer substantial damage to its facilities and disruption of its operations.

Because the financial results of the University are reported on a consolidated basis with those of its hospital affiliates (the "Hospitals"), these consolidated financial results will be affected by the financial results of the Hospitals. The Hospitals' financial results, in turn, will be affected not only by the factors set forth above but specifically by demand for the medical services they provide, inadequate third-party payments, limitations on and inadequate governmental reimbursement for medical services and graduate medical education, increasing costs of providing indigent care, escalating costs of personnel and equipment and inpatient capacity constraints which limit the Hospitals' ability to absorb these increased costs through greater volume. In addition, adverse legislative and regulatory developments and

government enforcement actions could negatively impact the Hospitals' results. Among other things, the Patient Protection and Affordable Care Act (the "ACA") enacted in 2010 and upheld by the U.S. Supreme Court on June 28, 2012 is expected to continue bringing about substantial changes in the United States health care system, affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. Attempts to modify or repeal provisions of the ACA are pending in Congress while aspects of the ACA continue to be challenged in the courts. The ultimate outcome of legislative attempts to repeal or amend the ACA and legal challenges to the ACA is unknown. The ACA could have an adverse financial impact on the Hospitals.

For a discussion of certain financial challenges facing the University, see Appendix A – "STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS) – PART I – GENERAL INFORMATION ABOUT STANFORD UNIVERSITY – Capital Improvement Programs," "– Hospitals," "– Investments" and "– Liquidity," and "– PART II, PORTIONS OF THE UNIVERSITY'S FY2013 ANNUAL FINANCIAL REPORT – Management's Discussion and Analysis – Looking Forward" attached hereto.

The events, developments and conditions described above are, or may be, of a magnitude such that they could have a material adverse effect on the financial results and condition of the University.

REGULATORY MATTERS AND LITIGATION

There is no litigation pending (with service of process having been accomplished) concerning the validity of the Bonds. The University is, however, a party to certain litigation which is described in "Regulatory Matters and Litigation" in Appendix A.

To the knowledge of the officers of the Authority, there is no litigation of any nature now pending (with service of process having been accomplished) or threatened against the Authority, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the Authority relating to the issuance of the Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement, which includes all Appendices hereto, contains forward-looking statements that involve risks and uncertainties. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use of words or phrases such as "will result," "expects to," "will continue," "anticipates," "plans," "intends," "estimated," "projects" and "outlook") are not historical and may be forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors, including, but not limited to, the risks described under the heading "CERTAIN INVESTMENT CONSIDERATIONS" which may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Although the University believes that the expectations reflected in the forward-looking statements are reasonable, the University cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the University nor any other person assumes responsibility for the accuracy or completeness of these statements. Accordingly, investors should not rely on forward-looking statements in this Official Statement. The University undertakes no obligation to publicly update or revise any forward-looking statements in this Official Statement, whether as a result of new information, future events or otherwise.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Bondholder thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Bondholders who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Bondholder's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Bondholders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond

Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of the University's General Counsel regarding the current qualification of the University as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the University concerning the University's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor the University's General Counsel has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor the University's General Counsel can give or has given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service ("IRS"). Failure of the University to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed or refinanced by the Bonds in a manner that is substantially related to the University's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Bondholder's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the University have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the University or the Bondholders regarding the tax-exempt status of the Bonds in the event of an audit examination by the

IRS. Under current procedures, parties other than the Authority, the University and their appointed counsel, including the Bondholders, would have little, if any, right to participate in, the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the University legitimately disagrees, may not be practicable. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the University or the Bondholders to incur significant expense.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the issuance of the Bonds under California law is subject to the approval of Orrick, Herrington & Sutcliffe LLP, acting as Bond Counsel to the Authority. A proposed form of Bond Counsel's legal opinion is attached hereto as Appendix E. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, for the Authority by the Attorney General of the State of California and for the University by its General Counsel and Ropes & Gray LLP. None of the counsel mentioned above undertakes any responsibility to Holders of the Bonds for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

The Treasurer of the State of California (the "Treasurer"), with the approval of the Authority and the University, has entered into a Bond Purchase Agreement with Wells Fargo Bank, National Association, as representative of the underwriters of the Series U-5 Bonds (the "Series U-5 Underwriters") pursuant to which and subject to certain conditions, the Series U-5 Underwriters have agreed to purchase the Series U-5 Bonds from the Authority at a price of \$150,450,961.85 (being the principal amount of the Series U-5 Bonds, plus an original issue premium of \$26,335,961.85). The Underwriters' compensation is \$225,952.21, which will be paid by the University from its own funds on the date of issuance of the Series U-5 Bonds. The Series U-5 Bonds may be offered and sold by the Series U-5 Underwriters to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Series U-5 Underwriters.

The Treasurer, with the approval of the Authority and the University, has entered into a Bond Purchase Agreement with Goldman, Sachs & Co. as representative of the underwriters of the Series U-6 Bonds (the "Series U-6 Underwriters," and together with the Series U-5 Underwriters, the "Underwriters") pursuant to which and subject to certain conditions, the Series U-6 Underwriters have agreed to purchase the Series U-6 Bonds from the Authority at a price of \$350,002,728.40 (being the principal amount of the Series U-6 Bonds, plus an original issue premium of \$71,022,728.40). The Underwriters' compensation is \$666,986.57, which will be paid by the University from its own funds on the date of issuance of the Series U-6 Bonds. The Series U-6 Bonds may be offered and sold by the Series U-6 Underwriters to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Series U-6 Underwriters.

Citigroup Global Markets Inc., an underwriter of the Series U-6 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series U-6 Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Series U-6 Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series U-6 Bonds, at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Series U-6 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series U-6 Bonds that CS&Co. sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, lending, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the University and its affiliates in connection with such activities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the University. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CERTAIN RELATIONSHIPS

Gene T. Sykes, Managing Director of Goldman, Sachs & Co., is a member of the University's Board of Trustees. The University believes that the participation of Goldman, Sachs & Co. in this offering is on terms no less favorable than could be obtained from other parties.

INDEPENDENT ACCOUNTANTS

The financial statements as of August 31, 2013 and 2012 and for the years then ended included in Part II of Appendix A of this Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RATINGS

The Bonds have been given an "Aaa" rating by Moody's, an "AAA" rating by S&P and an "AAA" rating by Fitch. An explanation of the significance of the ratings given can be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, 23rd Floor, New York, New York, 10007, from S&P at 55 Water Street, New York, New York 10041 and from Fitch at One State Street Plaza, New York, New York, 10004. Such ratings reflect only the views of Moody's, S&P and Fitch, respectively, and there is no assurance that any of the ratings, if received, will continue for any given period of time or that such ratings will not be lowered or withdrawn entirely if, in the judgment of Moody's, S&P or Fitch, circumstances so warrant. Any such change in, or withdrawal of, the ratings received could have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

Because the Bonds are limited obligations of the Authority, payable solely from amounts received from the University and other sources described in the Indenture, any financial or operating data concerning the Authority is not material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds. Accordingly, the Authority has not provided any such information. The University has undertaken all responsibilities for any continuing disclosure to Holders of the Bonds as described below, and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to the Rule.

In order to assist the Underwriters in complying with the Rule, the University has agreed to undertake in a Continuing Disclosure Agreement between the University and the Trustee, for the benefit of Holders of the Bonds, to provide to the Trustee certain annual information and notices of certain listed events required to be provided by the Rule. The proposed form of that undertaking is set forth in Appendix D hereto. The undertaking may be amended or modified without the consent of the Holders of the Bonds under certain circumstances set forth therein.

MISCELLANEOUS

Appendix A has been prepared by the University. The University's FY2013 Audited Financial Statements included in Part II of Appendix A hereto were audited by PricewaterhouseCoopers LLP and were furnished by the University for inclusion herein.

Information relating to DTC and the book-entry system described in Appendix C – "BOOK-ENTRY SYSTEM" is based upon information furnished by DTC and is believed to be reliable, but none of the Authority, the University or the Underwriters makes any representations or warranties whatsoever with respect to such information.

All of the Appendices hereto are incorporated as an integral part of this Official Statement. The Authority makes no representations or warranties whatsoever with respect to the information contained in Appendices A through E.

The Authority furnished only the information contained under the "THE AUTHORITY" and "REGULATORY MATTERS AND LITIGATION" (solely as it relates to the Authority) and, except for such information, makes no representation as to the adequacy, completeness or accuracy of this Official Statement or the information contained herein.

This Official Statement has been delivered by the Authority and approved by the University. This Official Statement is not to be construed as a contract or agreement among any of the Authority, the University and the purchasers or Holders of the Bonds.

CALIFORNIA EDUCATIONAL FACILITIES
AUTHORITY

April 30, 2014

/s/ Ronald L. Washington
Executive Director

Appendix A has been reviewed and approved by the Senior Associate Vice President for Finance of the University.

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

April 30, 2014

/s/ M. Suzanne Calandra
Senior Associate Vice President for Finance

APPENDIX A

STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)

Part I of this Appendix A contains general information with respect to Stanford. Part II consists of portions of the University's Annual Financial Report for the fiscal years ended August 31, 2013 and 2012 (the "University's FY2013 Annual Financial Report"), which includes management's discussion and analysis, selected financial and other data, the independent auditor's report, and the University's consolidated financial statements for the years ended August 31, 2013 and 2012 (the "University's FY2013 Audited Financial Statements"). Financial information presented in Part I of this Appendix A with respect to the University relates solely to the University; financial information regarding the University and its affiliates is stated both separately and on a consolidated basis in the University's FY2013 Audited Financial Statements.

PART I

GENERAL INFORMATION ABOUT STANFORD UNIVERSITY

Founded in 1885, The Leland Stanford Junior University is one of a select group of universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body.

Academic and Research Programs

The Leland Stanford Junior University ("Stanford" or the "University") is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Earth Sciences, Engineering, and Humanities and Sciences (which includes the core humanities, fine arts, languages and literature, the social sciences, mathematics, and the natural sciences) offer undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students have access to a wide variety of undergraduate majors and to classes and research opportunities in all seven Schools. Degree programs are offered by departments and through interdepartmental programs involving multiple departments in one or more Schools. The University, its Schools and its academic programs hold appropriate accreditations.

Stanford's research enterprise extends throughout the University. Multidisciplinary research is conducted in the schools, independent laboratories, institutes and research centers which engage faculty and students from across the university. The SLAC National Accelerator Laboratory operates advanced X-ray facilities and conducts research in materials, energy, structural biology and particle physics. Extensive library and archival resources are available through the Stanford University Libraries and Academic Information Resources and the Hoover Institution on War, Revolution and Peace.

Governance and Management

Board of Trustees. Stanford is a trust with corporate powers under the laws of the State of California. The Internal Revenue Service has determined the University to be a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Under the provisions of the founding grant of Senator Leland Stanford and Jane Lathrop Stanford and related organizational documents of the University (the "Founding Grant"), the Board of Trustees is custodian of the endowment and all the

properties of the University. The Board administers the invested funds, and has the ultimate authority over the annual budget, and policies for operation and control of the University. The powers and duties of the Board of Trustees derive from a combination of the Founding Grant, amendments to the Founding Grant, and legislation and court decrees specific to Stanford. In addition, the Board operates under its own bylaws and a series of resolutions on major policy. The Board conducts its business through standing committees, currently consisting of the Committees on Academic Policy, Planning and Management; Alumni and External Affairs; Audit and Compliance; Development; Finance; Land and Buildings; the Medical Center; and Trusteeship. The maximum membership of the Board is 38, including the President of the University. The Board nominates and selects successor trustees, eight of whom shall be alumni trustees.

The following table lists the members of the Board of Trustees as of April 1, 2014.

Steven A. Denning (<i>Chair</i>)	Frank D. Lee
Fred W. Alvarez	Bernard Liautaud
Robert M. Bass	Susan R. McCaw
William R. Brody	Lloyd M. Metz
Brook H. Byers	Hamid R. Moghadam
James E. Canales	Paul A. Ormond
RoAnn Costin	Ruth M. Porat
James G. Coulter	Jeffrey S. Raikes
Deborah A. DeCotis	Mindy B. Rogers
Bruce W. Dunlevie	Victoria B. Rogers
Armando Garza	Kavitark Ram Shriram
John A. Gunn	Ronald P. Spogli
Gail B. Harris	Srinija Srinivasan
Christine U. Hazy	Isaac Stein
John L. Hennessy	Thomas F. Steyer
Laurene Powell Jobs	Gene T. Sykes*
Ronald B. Johnson	Vaughn C. Williams
LaTonia G. Karr	Jerry Yang

* *Managing Director at Goldman, Sachs & Co., which is serving as the lead underwriter in connection with the issuance of the Bonds. The University believes that the participation of Goldman, Sachs & Co. in this offering is on terms no less favorable than could be obtained from other parties.*

Administration. The Founding Grant prescribes that the Board of Trustees appoints the President of the University. The Board of Trustees delegates the responsibility to the President to prescribe the duties of professors and teachers, to set the course of study and the mode and manner of teaching and to exercise all other necessary powers relating to the educational, research, financial and business affairs of the University, including the operation of the physical plant. The President appoints, subject to confirmation by the Board, the Provost and the other Officers of the University. The Stanford Management Company is the operating division of the University responsible for the management of the University's investment assets.

The following table sets forth in summary form certain members of the principal administration of the University as of April 1, 2014.

University Officers

John L. Hennessy
President

John W. Etchemendy
Provost

David F. Demarest
Vice President for Public Affairs

David A. Jones
Vice President for Human Resources

Randall S. Livingston
*Vice President for Business Affairs
and Chief Financial Officer*

William J. Madia
*Vice President for SLAC National Accelerator
Laboratory*

Robert C. Reidy
*Vice President for Land, Buildings
and Real Estate*

Martin W. Shell
Vice President for Development

Howard E. Wolf
*Vice President for Alumni Affairs
and President, Stanford Alumni Association*

Debra L. Zumwalt
Vice President and General Counsel

University Cabinet

Ann M. Arvin
Vice Provost and Dean of Research

Harry J. Elam Jr.
Vice Provost for Undergraduate Education

Chi-Chang Kao
Director, SLAC National Accelerator Laboratory

Patricia J. Gumport
Vice Provost for Graduate Education

M. Elizabeth Magill
Dean, School of Law

Pamela A. Matson
Dean, School of Earth Sciences

Lloyd Minor
Dean, School of Medicine

James D. Plummer*
Dean, School of Engineering
* Stepping down summer 2014

John Raisian
*Director, Hoover Institution on War, Revolution
and Peace*

Richard P. Saller
Dean, School of Humanities and Sciences

Garth Saloner
Dean, Graduate School of Business

Deborah Stipek
Dean, Graduate School of Education

Stanford Management Company

John F. Powers
President and Chief Executive Officer

Faculty and Staff

For the 2013 fall quarter, the Stanford professoriate had 2,043 members. Of those, 54% hold tenure, and more than 99% hold the highest degrees in their respective fields. The Academic Council comprises the main body of the faculty. Of its 1,583 members, 1,428 are tenure-line faculty, and 155 are non-tenure line faculty such as Senior Fellows and those holding teaching, research, clinical or performance titles. The student-Academic Council ratio (including only matriculated undergraduate and graduate students) is approximately 10.0 to 1.

As of August 31, 2013, the University, including the SLAC National Accelerator Laboratory, employed 12,339 non-academic staff members. Of these employees, 1,223 were represented by the Service Employees International Union, and 30 were police officers represented by the Stanford Deputy Sheriffs' Association. Contracts between the University and those unions expire on August 31, 2014 and July 31, 2015, respectively.

Students

For the 2013 fall quarter, the University enrolled 6,980 undergraduate and 8,897 graduate students. During academic year 2012-2013, 1,661 bachelor degrees and 3,365 advanced degrees were conferred. The following table provides a summary for the last five academic years of undergraduate and graduate applications, admissions and enrollment.

Academic Year	Undergraduate ⁽¹⁾⁽²⁾			Graduate ⁽²⁾		
	<u>Applications</u>	<u>Admissions</u>	<u>Enrollment</u>	<u>Applications</u>	<u>Admissions</u>	<u>Enrollment</u>
2009-10	31,731	2,451	1,715	36,326	4,419	2,345
2010-11	33,275	2,365	1,694	37,983	4,580	2,608
2011-12	35,761	2,495	1,754	38,750	4,570	2,628
2012-13	38,144	2,457	1,796	41,855	4,439	2,582
2013-14	40,491	2,241	1,705	41,539	4,479	2,630

⁽¹⁾ Includes both freshman and transfer students.

⁽²⁾ Fall only.

Tuition, Fees and Financial Aid

Stanford is committed to a policy of "need-blind" admission for eligible U.S. citizens and permanent resident undergraduate students. For academic year 2012-13, approximately 50% of undergraduates were awarded need-based scholarships and grants from Stanford. In general, eligible Stanford undergraduates receive other financial assistance in the form of other scholarships and grants, student employment and low-interest student loans.

The following table provides a summary of Stanford's undergraduate tuition, average room and board expenses and average financial aid per undergraduate student for the academic years 2009-10 through 2014-15.

<u>Academic Year</u>	<u>Tuition</u>	<u>Room and Board</u>	<u>Total</u>	<u>Average Financial Aid⁽¹⁾</u>
2009-10	\$37,380	\$11,463	\$48,843	\$16,978
2010-11	38,700	11,876	50,576	17,555
2011-12	40,050	12,291	52,341	18,519
2012-13	41,250	12,721	53,971	18,477
2013-14	42,690	13,166	55,856	18,600 ⁽²⁾
2014-15	44,184	13,631	57,815	n/a

⁽¹⁾ Stanford-funded scholarship aid awarded on the basis of financial need divided by the average number of undergraduate students enrolled in the fall, winter and spring quarters.

⁽²⁾ Average Financial Aid amount for 2013-14 is an estimate.

Graduate student financial aid is awarded based on academic merit and the availability of aid and consists of fellowships, stipends, and trainee/assistantships. Stanford participates in the Federal Perkins student loan program, available to undergraduate, graduate and professional students. Stanford also provides a gift funded institutional loan program. Student loan receivables, net of allowances for doubtful accounts, were \$78.4 million and \$76.7 million as of August 31, 2013 and 2012, respectively.

The Stanford Campus and Other Real Property

Stanford's campus consists of approximately 8,200 acres of land owned by the University near Palo Alto, California, much of which was given to the University under the Founding Grant on the condition that the lands subject to the grant may not be sold. The campus is in six different cities and counties. A portion of Stanford lands are leaseholds related to commercial, residential, agriculture and other developments that provide rental income for the University. Much of the University's other land remains undeveloped and is used primarily for agricultural purposes.

Stanford also owns real property elsewhere. Some of this property has been acquired for expansion or relocation of programs, including approximately 35 acres in Redwood City, California. The University also owns facilities for use in study programs in Pacific Grove, California, the District of Columbia and Berlin, Germany.

Capital Improvement Programs

The University makes a significant investment in its facilities for teaching, research and related activities. The University's Capital Budget and three-year Capital Plan are based on a projection of major capital projects that the University will pursue in support of the academic mission. The fiscal year 2014 Capital Budget approved by the Board of Trustees is \$658.7 million and represents the anticipated capital expenditures in the first year of the rolling three-year Capital Plan. The fiscal year 2014-2016 Capital Plan includes projects with estimated total costs of \$2.5 billion. Estimated funding sources for projects under the current Capital Plan consist of \$719.5 million of gifts, \$614.9 million of reserves and other funds, \$246.6 million of resources expected to be identified in the course of annual capital planning, and

\$965.7 million of debt. Additional debt will be required to bridge timing differences between project expenditures and the receipt of gifts. The Capital Budget and the Capital Plan are both subject to change based on funding availability, budget affordability and university priorities.

In 2000, the Santa Clara County Board of Supervisors approved a General Use Permit (the "2000 GUP") and the Stanford University Community Plan (the "Community Plan"), updating and extending the general use permit and plan previously in force since 1989. These documents govern the use and development of University lands within the County. Any change to either document is subject to the approval of the Santa Clara County Board of Supervisors. The 2000 GUP permits Stanford to develop approximately 2,000,000 square feet of new academic facilities and approximately 3,000 new housing units for students, faculty and staff. The 2000 GUP contains a number of significant restrictions and conditions upon which such developments are contingent. Through August 31, 2013, projects using approximately 1,400,000 gross square feet of the GUP allotment had been completed or were under construction and approximately 1,890 housing units had been added.

Hospitals

The University is the sole member of Stanford Hospital and Clinics ("SHC") and Lucile Salter Packard Children's Hospital at Stanford ("LPCH") (collectively, the "Hospitals"). SHC and LPCH are each separate not-for-profit public benefit corporations operating the adult and pediatric hospitals and clinics, respectively, which together with the University's School of Medicine, comprise the Stanford University Medical Center. Each Hospital corporation has its own management with responsibility for its own financial reporting (see Stanford University's FY2013 Annual Financial Report included as Part II of this Appendix A under the caption "Management Responsibility for Financial Statements"). Management of each Hospital reports to the chief executive officer of that Hospital, and the chief executive officer reports to the board of directors appointed for that Hospital. Management of the Hospitals does not report to management of the University. Each Hospital has its own separate liabilities, including bond debt obligations. The University and the Hospitals are not obligated to pay the debt of each other, and the University and the Hospitals receive separate bond ratings from the rating agencies.

The Hospitals obtained approval from local authorities to construct new facilities to address seismic requirements and to meet the health care needs of the community. The facilities had a projected total cost of approximately \$3.2 billion as of August 31, 2013. The Hospitals have informed the University that the sources of funding for such capital requirements include operating surpluses, gifts, government grants and bond proceeds. For this purpose, the Hospitals each undertook financings in FY2012, LPCH is undertaking an additional financing in FY2014, and the Hospitals may undertake additional financings in the future. (See also "Certain Investment Considerations" in the forepart of this Official Statement.)

Regulatory Matters and Litigation

The University is subject to various suits, audits, investigations and other legal proceedings in the course of its operations. The University's ultimate liability, if any, for these legal proceedings is not determinable at present. However, no proceedings are pending or threatened that, in management's opinion, would be likely to have a material adverse effect on the University's financial position, except for the claims described in the following paragraph, as to which no determination of materiality has been made.

On January 29, 2013, two environmental advocacy groups filed a complaint in the United States District Court for the Northern District of California alleging violations of the Endangered Species Act (the "ESA"). A second amended complaint, the operative complaint, was filed on May 20, 2013 and it

alleges that the University operates and maintains the Searsville Dam and Reservoir located on its campus and diverts water in the San Francisquito Creek watershed in a manner that violates the ESA by "taking" (which in the ESA means killing or injuring, or creating the likelihood of killing or injuring) three protected species—the Central California Coast ("CCC") steelhead, San Francisco garter snake and California red-legged frog—without proper authorization. Trial is currently set for June 2015.

On March 14, 2014, two environmental advocacy groups (the same groups that filed the above complaint) filed a new action in the United States District Court for the Northern District of California against the University. This new complaint alleges violations of both the ESA and the Clean Water Act (the "CWA"). Specifically, it alleges that the University is (1) taking CCC steelhead in violation of the ESA by operating and maintaining certain installations located on the campus and in the San Francisquito watershed without proper authorization; and (2) violating the CWA by discharging sediment and other pollutants into a creek and by placing and maintaining fill materials in a creek without proper authorization. This action was recently filed and no trial date has been set.

Both complaints seek declaratory and injunctive relief, as well as attorneys' fees and costs. No determination of materiality has been made regarding either complaint as discovery is ongoing in the first action and has yet to commence in the second action. The University believes that it has not violated the ESA or the CWA and intends to vigorously defend against all of these claims.

Investments

At August 31, 2013, the University held investments with a fair value of approximately \$24.7 billion. The following table summarizes the fair value of the University's investments for each of the past five fiscal years.

**STANFORD UNIVERSITY
INVESTMENTS
Years Ended August 31
(in thousands of dollars)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Investments	\$24,703,407	\$22,246,700	\$21,189,487	\$17,803,361	\$16,500,670
Less: Permanently Restricted Investments	<u>5,681,957</u>	<u>5,440,119</u>	<u>5,143,249</u>	<u>4,836,938</u>	<u>4,658,949</u>
Unrestricted and Temporarily Restricted Investments	<u>\$19,021,450</u>	<u>\$16,806,581</u>	<u>\$16,046,238</u>	<u>\$12,966,423</u>	<u>\$11,841,721</u>

Liquidity

Management manages its cash, cash equivalents and investments to ensure that it maintains adequate liquidity to cover its outstanding commitments. The University has significant contractual commitments outstanding for limited partnership investments and major construction projects (see discussion under the caption "Capital Improvement Programs" above and in Note 5, "Investments," and Note 20, "Commitments and Contingencies," to the University's FY2013 Audited Financial Statements included in Part II of this Appendix A).

While the University's liquidity levels naturally fluctuate, as of March 31, 2014, the University had approximately \$2.6 billion (unaudited) invested in assets that, in the opinion of management, qualify as sources of same-day liquidity and an additional \$3.5 billion (unaudited) invested in assets that qualify as sources of less than seven-day liquidity. The University expects to pay down \$350 million of maturing Taxable Bonds Series 2009A on May 1, 2014, the majority of which were invested in highly liquid securities to be available for the University's general purposes. Management is currently reviewing its liquidity strategies in an effort to maximize the investment of funds while ensuring adequate cash and cash equivalents to meet its ongoing operating and investment liquidity needs, which may result in a general reduction in the University's liquidity levels.

PART II

PORTIONS OF THE UNIVERSITY'S FY2013 ANNUAL FINANCIAL REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Stanford experienced strong financial results in fiscal year 2013 (FY13). Consolidated net assets increased \$3.0 billion to end the year at \$26.7 billion. Consolidated operating revenues exceeded expenses by \$565 million, compared to \$516 million in FY12. Stanford's FY13 financial results benefitted from excellent investment returns and health care services revenues, and continued strong support from donors.

These consolidated results reflect the combined financial position and results of the University and the Hospitals. Below are additional details about the University's and Hospitals' financial position, financial results and operations.

University

FY13 net assets increased 9.4% to \$25.7 billion compared to \$23.5 billion in the prior year. The University's FY13 endowment ended the year at \$18.7 billion, exceeding 2008's previous high of \$17.2 billion.

FY13 FINANCIAL HIGHLIGHTS

Excellent investment performance. University investment returns in FY13 were \$2.5 billion, nearly double the \$1.3 billion in FY12. The FY13 results reflect strong returns in U.S. and other developed world equity markets which outweighed returns from emerging market equities and fixed income funds.

Record number of donors. FY13 gifts as reported by the University's Office of Development,

were \$932 million, second only to the \$1.0 billion received in FY12. The University continues to benefit from the generosity and encouragement of its donors. More than 82,000 alumni, parents, students, and supporters contributed the largest number of gifts in Stanford's history. These results are a strong endorsement of Stanford's efforts to address complex global problems.

In May 2012, Stanford announced the launch of a \$1 billion Campaign for Stanford Medicine to transform health care at a local, national and global level. In FY13, the Campaign raised \$235 million in new gifts and pledges.

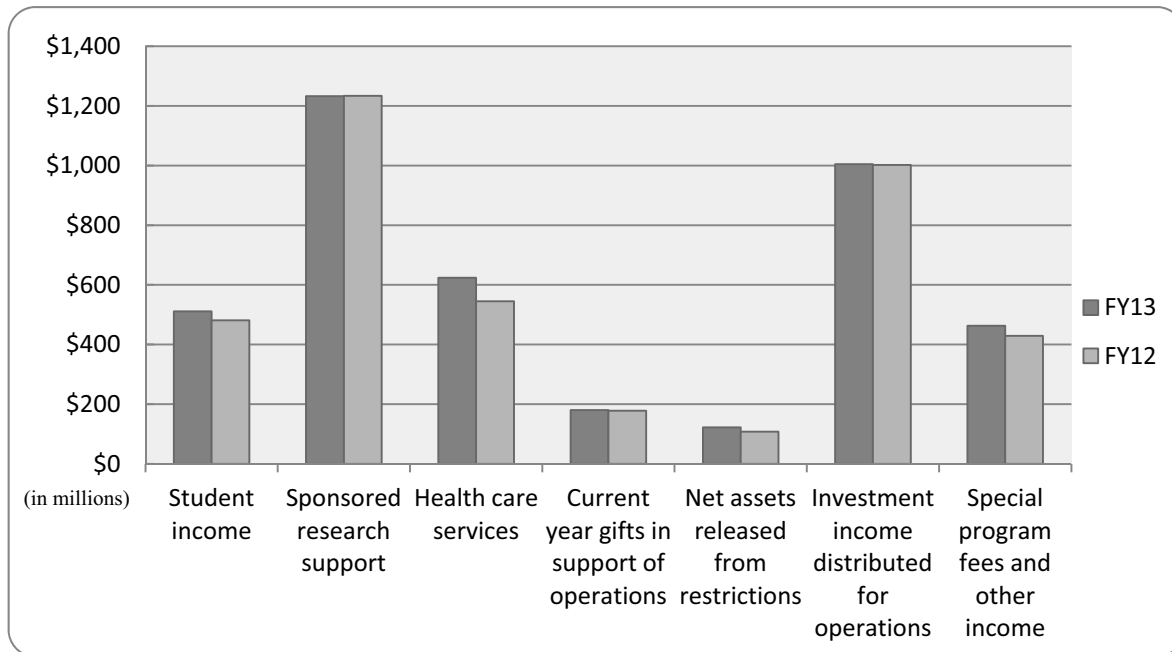
OPERATING RESULTS

The *Statements of Activities* include results from both operating and non-operating activities of the University. Operating activities include the revenues earned and expenses incurred in the current year to support the University's core activities of teaching and research and other University priorities.

The University ended the year with a surplus from operations of \$165 million in FY13 compared to \$211 million in FY12. FY13 operating revenues increased 4% compared to an increase in expenses of 5% during the same period.

Non-operating activities are discussed in the *Financial Position* section of this analysis.

**FIGURE 1
OPERATING REVENUES**



OPERATING REVENUES

FY13 operating revenues were \$4.1 billion, reflecting a 4% increase over FY12. The University’s operating revenue categories are shown in Figure 1 above.

Student Income

Total student income, which represents 12% of University operating revenues, increased 6% to \$511 million in FY13. Total student income includes tuition and fees from undergraduate and graduate programs and room and board; this amount is partially offset by financial aid. Revenues from student tuition and fees increased 4% in FY13 primarily as a result of undergraduate and graduate tuition increases ranging from 3.0% to 3.8% and a slight increase in undergraduate student enrollment. Revenues from room and board increased 7% in FY13 primarily due to a 3.5% increase in room and board rates and higher graduate student occupancy.

Financial aid increased \$863 thousand or 0.4% in FY13 to \$242 million, reflecting less need for aid as the economy continues to strengthen. Stanford’s commitment to provide an affordable education for all students remains unchanged.

Stanford is committed to a policy of “need-blind” admission for eligible U.S. citizens and permanent resident undergraduate students. For FY13, approximately 50% of undergraduates were awarded need-based scholarships and grants from Stanford. Eligible Stanford undergraduates receive other financial assistance in the form of athletic scholarships, research grants, student employment and low-interest student loans.

Graduate student financial aid is awarded based on need, academic merit and the availability of funds and consists of fellowships, stipends, and trainee/assistantships. Approximately 85% of graduate students receive financial support, including University, federal and privately funded fellowships, and teaching and research assistantships.

Stanford participates in the Federal Perkins student loan program, available to undergraduate, graduate and professional students. Stanford also provides a gift funded institutional loan program. Student loan receivables, net of allowances for doubtful accounts, were \$78 million and \$77 million as of August 31, 2013 and 2012, respectively.

Sponsored Research Support

Sponsored research support represents 30%--nearly one third--of the University's operating revenues. FY13 sponsored research support of \$1.2 billion remained at the same level as FY12. A reduction of \$18 million in direct support for the SLAC National Accelerator Laboratory (SLAC) resulted from the spend down of final remaining ARRA funding and the effects of sequestration. The reduction primarily limited new construction.

The majority of the University's sponsored research support (82% including SLAC) is received directly or indirectly from the federal government. The largest federal sponsor, the Department of Health and Human Services, provided revenue of \$414 million in FY13 compared to \$417 million in the prior year. Most of these funds support research within the University's School of Medicine.

In addition to payment for the direct costs of performing research, the University receives an amount from sponsors for facilities and administrative costs, known as indirect costs. This amount covers costs related to facilities, utilities and administrative costs incurred in connection with sponsored research. For FY13, the federal and non-federal indirect cost recovery decreased slightly to \$226 million as a result of lower indirect cost recovery from SLAC.

Health Care Services

FY13 health care services revenue represented 15% of operating revenues for the University and increased \$79 million to \$624 million. School of Medicine faculty serve as physicians for the Hospitals. Clinical revenue is collected by the Hospitals, and a portion is remitted to the University for these physician services. In addition, the Hospitals pay the University for other essential services such as medical direction, telecommunication, legal and internal audit services. Health care services revenues of \$600 million represent the net value of services provided by the University to the Hospitals; these amounts are eliminated in consolidation.

Current Year Gifts in Support of Operations and Net Assets Released from Restrictions

Current year gifts in support of operations increased 1% to \$180 million in FY13. Net assets

THE UNIVERSITY'S ENDOWMENT

The University's endowment is a collection of gift funds and reserves which are set aside and invested to support the University's teaching and research missions. At August 31, 2013, the endowment totaled \$18.7 billion and represented approximately 73% of the University's net assets. The endowment includes pure endowment funds (which include endowed lands), term endowment funds and funds functioning as endowment.

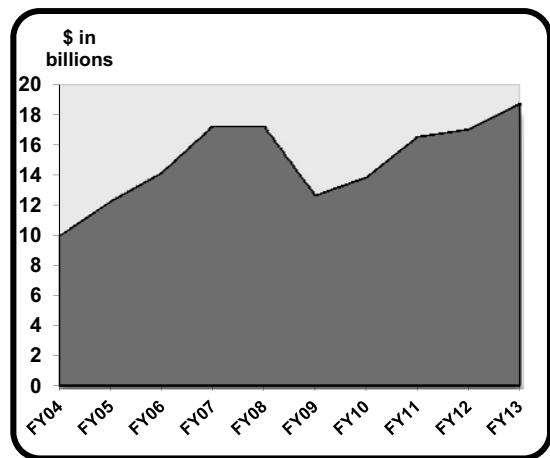
Gifts and pledge payments, investment returns, and other invested funds added \$2.6 billion to the endowment in FY13.

Payout to operations from the endowment--\$921 million in FY13--continues to be a significant source of operating revenue for the University, covering approximately 23% of expenses in FY13.

The University's endowment provides funding annually for a wide variety of important purposes. As shown in Figure 2, a significant portion of the endowment (approximately 80%) is restricted as to purpose.

Approximately 30% funds instruction and research activities, 23% goes to student aid, 20% covers faculty salaries and support, 22% is unrestricted and the remainder is split between library support and other purposes.

UNIVERSITY ENDOWMENT BY YEAR



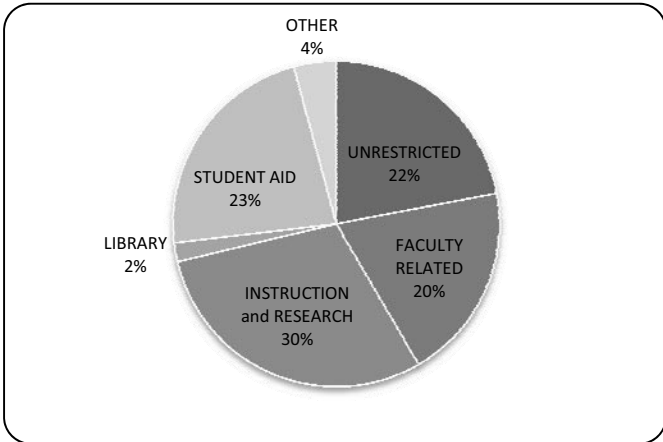
released from restrictions increased 13% to \$122 million.

Total Investment Income Distributed for Operations

Total investment income distributed for operations represented 24%--nearly one quarter--of University revenue, the second highest source of operating revenue for the University.

- Endowment income distributed for operations increased 6% to \$921 million in FY13. The endowment payout as a percentage of the beginning endowment value was 5.4% for FY13 and 5.3% for FY12.

**FIGURE 2
ENDOWMENT PAYOUT BY PURPOSE**



- Expendable funds pools and other investment income distributed for operations was \$84 million in FY13, compared to \$131 million in FY12. This category primarily includes the payout to operations from the Expendable Funds Pool (EFP) and the Endowment Income Funds Pool (EIFP), the principal investment vehicles for the University's expendable funds.
- The EFP policy provides a variable payout to certain funds that support operations based on the prior year's investment returns. Positive returns in both FY12 and FY11 resulted in the payouts to these funds over the past two years. However, lower returns in FY12 contributed to the reduction in the FY13 payout. See Note 6 to the FY13 Consolidated Financial Statements.
- The EIFP holds previously distributed but unspent endowment payouts. These amounts are invested in highly liquid instruments in

order to preserve the principal balance.

Earnings on these investments are distributed to the fund holders. See Note 6 to the FY13 Consolidated Financial Statements.

OPERATING EXPENSES

Total expenses increased \$207 million, or 5%, to slightly less than \$4.0 billion in FY13. Salaries and benefits comprised 63% of the University's total expenses; depreciation expense was 7% and other operating expenses represented 30%.

- Salaries and benefits increased 7% in FY13 to \$2.5 billion. The increase resulted from a combination of modest salary programs designed to maintain Stanford's competitive position, higher benefit costs, and increases in headcount to support new programs and facilities recently placed in service.
- Depreciation expense increased by 5% to \$292 million in FY13 from \$277 million in FY12. The increase in this category resulted from buildings recently placed in service as described in the Capital Projects section below.
- Other operating expenses increased slightly by 2% to \$1.2 billion in FY13 due to additional expenses incurred in support of new programs and facilities.

FINANCIAL POSITION

The University's *Statements of Financial Position* reflect strong donor support, excellent investment returns and positive operating results over the past three years. Total University assets increased \$2.6 billion in FY13 to end the year at \$31.5 billion. Total University liabilities increased slightly from \$5.5 billion to \$5.8 billion.

Cash and Cash Equivalents

The University closely monitors liquidity required to meet operating and contractual commitments. As economic conditions have continued to improve since the 2008 financial crisis, changes in the University's investment policies have allowed additional funds to be invested. At August 31, 2013, the University's cash and cash equivalents was \$784 million, a decrease of \$356 million compared to the prior year.

Investments

Total consolidated investments at August 31, 2013 were \$27.0 billion, up 12% (or \$2.8 billion) over

the prior year. University investments increased by \$2.5 billion, up 11% from FY12.

The majority of the consolidated investments, \$22.6 billion as of August 31, 2013, are invested in the Merged Pool (MP), including \$20.6 billion of the University's endowment and expendable fund assets and \$2.0 billion of the Hospitals' investments. The MP is a diversified portfolio of actively managed public and private equity, absolute return, natural resources and real estate assets. An analysis of the MP investment strategy and performance is included in the Report from the Stanford Management Company.

In addition to the MP, \$2.3 billion of the University's investments are Stanford's endowed lands that have been designated for the production of income by the Board of Trustees. This real estate portfolio includes a combination of direct owned assets and income-producing ground leases, including Stanford Research Park properties. In recent years, the value of these properties has benefitted from strong dynamics in the local real estate market including low vacancy rates and rising rents.

Remaining investments of \$2.1 billion are specifically invested for a variety of purposes.

Capital Projects

The University continues to invest heavily in its physical facilities to support key academic initiatives, housing and infrastructure. During FY13, the University invested \$673 million in capital projects, bringing gross plant facilities before accumulated depreciation to \$7.6 billion. Plant facilities, net of accumulated depreciation, increased \$382 million to \$4.2 billion.

During FY13, the Bing Concert Hall opened and completed its inaugural season to numerous sold-out performances. Ground broke on two other structures in the art district: the new gallery that will house the Anderson Collection and the McMurtry Art and Art History Building. Construction also continued on the Bioengineering/Chemical Engineering Building.

Sustainability is a core value at Stanford and the University continues to make significant

investments in sustainability on all fronts. The University has undertaken major initiatives to reduce energy and water use, apply stringent environmental standards to all new buildings, encourage sustainable living, conserve natural resources and decrease waste. During FY13 construction commenced on a new central energy facility—the Stanford Energy Systems Innovation (SESI)—which will reduce overall energy consumption and use cleaner energy sources.

Debt

The University's debt policy governs the amount and type of debt Stanford may incur and is designed to preserve debt capacity, financial flexibility and access to capital markets at competitive rates. A combination of fixed and variable rate debt, of varying maturities, is used to fund academic facilities, residential housing and dining facilities, faculty and staff mortgage loans and other infrastructure projects.

During FY13, the University issued \$481 million in taxable and tax-exempt debt to finance various facilities and infrastructure, including a portion of the SESI project and to refinance certain tax-exempt bonds and commercial paper notes and achieve savings in interest costs. The debt was issued with yields-to-maturity ranging from 3.18%-3.20% on tax-exempt bonds with maturities of 26 and 30 years and 3.56% on taxable bonds with a maturity of 31 years.

Total debt increased \$390 million to \$3.1 billion as of August 31, 2013. During FY13, Standard and Poor's, Moody's and Fitch affirmed the University's debt ratings in the highest rating categories for short and long-term debt.

Unrestricted Net Assets

In total, unrestricted net assets of the University increased \$1.4 billion to \$13.5 billion, with \$165 million resulting from operating activities. The most significant components of non-operating changes in unrestricted net assets in FY13 were the \$899 million increase in realized and unrealized investment gains and a \$146 million income benefit in pension related costs due to lower discount rates.

Temporarily Restricted Net Assets

Temporarily restricted net assets increased \$580 million to \$6.6 billion in FY13. An increase in realized and unrealized investment gains of \$527 million, new temporarily restricted gifts and pledges of \$346 million were the major factors in this result. The results were partially offset by \$315 million in transfers relating to capital and other gifts released from their restrictions for assets placed in service and for operating activities.

Permanently Restricted Net Assets

Permanently restricted net assets increased \$238 million to \$5.6 billion during FY13. The increase was driven by \$164 million in new gifts and pledges and \$32 million of transfers from other net asset categories primarily due to donor redesignations and matching funds added to donor gift funds. The principal value of these assets must be invested in perpetuity to generate endowment income to be used only for the purposes designated by donors.

Hospitals

The financial results and financial position of Stanford Hospital and Clinics (SHC) and Lucile Salter Packard Children's Hospital at Stanford (LPCH) are combined in the FY13 Consolidated Financial Statements under the "Hospitals" column. The University is the sole member of each of the Hospitals.

In FY11, the Hospitals received local government approval to rebuild and expand their principal facilities. SHC broke ground in May 2013 and construction is now well underway at LPCH. Based on current estimates, management expects these facilities to be completed by 2017. These improvements will assure that the Hospitals have adequate inpatient capacity in modern, technologically-advanced and patient centered facilities, and meet State-mandated earthquake safety standards. The total estimated cost, inclusive of owner's reserves, is approximately \$2.0 billion for SHC and \$1.2 billion for LPCH.

To improve and expand their services, the Hospitals have established physician practice management organizations—SHC's University HealthCare Alliance (UHA) and LPCH's Packard Children's Health Alliance (PCHA)—that support Stanford University Medical Center's mission to deliver quality care to

the community and conduct research and education. Working collaboratively with the Hospitals and School of Medicine faculty, these organizations have acquired multi-specialty practices in outlying communities to form a network of coordinated care throughout the Bay Area.

The following discussion summarizes the individual financial results of SHC and LPCH as shown in the FY13 Consolidated Financial Statements.

STANFORD HOSPITAL AND CLINICS

SHC produced solid operating results in FY13, generating income from operations of \$253 million compared to \$237 million in FY12. SHC's favorable operating results were due in part to the growth in the number of physicians performing clinical services at the hospital. Net assets grew by \$553 million, or 32%, to \$2.3 billion mainly due to the solid results from operations, returns on investments, favorable swap valuations and fundraising commitments for the new Stanford Hospital.

Operating Results

Operating revenues increased by 12% to \$2.7 billion. Net patient revenues accounted for \$2.6 billion of operating revenues. Both inpatient and outpatient revenues (including capitation revenue), which represent 48% and 52% of patient revenues, respectively, grew significantly due to overall strong volume growth and physician recruitment, including the acquisition of medical practices by UHA. Net revenues over expenses from both the Hospital Quality Assurance Fee (QAF) Program and the Hospital Fee Program contributed \$21 million and \$6 million to the FY13 and FY12 results, respectively.

Operating expenses, including salaries and benefits, were up 12% to \$2.5 billion in FY13. Salaries and benefits increased primarily in response to growth in patient volumes (including UHA) and to maintain SHC's position in the competitive market for health care professionals.

Physicians' services and support increased by 16% to \$427 million. This category includes all payments to the University for services provided by the School of Medicine for its clinical services. Other operating expenses were up by 12% to \$833 million as a result of costs related to increased patient activity (including UHA), enhanced IT infrastructure, and other SHC initiatives.

Statement of Financial Position (Balance Sheet)

SHC's *Statement of Financial Position* reflected continued investments in the facilities and systems required to remain at the forefront of medicine and to be the provider of choice for complex care in the communities it serves. Gross property and equipment increased \$263 million to \$2.1 billion during FY13. As of August 31, 2013, SHC has recorded \$350 million in construction in progress related to the new Stanford Hospital. SHC also renovated Hoover Pavilion, the original Palo Alto Hospital, which reopened for business in December 2012. The Hoover Pavilion is now the home of Stanford primary care and subspecialty clinics.

Other SHC highlights

Costs of charity care and uncompensated costs including those related to services provided to patients under Medi-Cal and Medicare in excess of reimbursement, were \$418 million in FY13, up 14% from FY12.

Once again, SHC continued to receive positive quality, safety and patient experience outcomes. In FY13, for the fourth year in a row, SHC was one of 92 hospitals in the nation named a 2012 Top Hospital by The Leapfrog Group, an honor that rewards medical centers for quality and efficiency, including success in such areas as infection rates, safety practices, mortality rates for common procedures and measures of efficiency.

LUCILE SALTER PACKARD CHILDREN'S HOSPITAL AT STANFORD

In FY13, LPCH generated income from operations of \$147 million compared to \$69 million in FY12. The increase is mainly due to higher census, favorable payer mix and expense containment measures. Net assets at August 31, 2013 were \$1.7 billion, reflecting an increase of

\$236 million over FY12. These results reflect solid operating results, positive investment performance and strong donor support.

Operating Results

Operating revenues increased by \$176 million or 18% in FY13 to \$1.2 billion. This increase is attributable, in part, to continued expansion of PCHA, which purchased eight physician practices in FY13 and generated \$30 million of net patient revenue, as compared to \$0.6 million in FY12. Net revenues over expenses from both the QAF Program and the Hospital Fee Program contributed \$59 million and \$35 million to the FY13 and FY12 results, respectively.

Operating expenses increased by 11% in FY13. The majority of the growth was caused by increased salaries and benefits and higher supply costs due in part to the higher volume of patients, and increased payments to the University for purchased services, including physician services.

Statement of Financial Position (Balance Sheet)

LPCH's *Statement of Financial Position* reflects significant donor contributions and investments in the facilities and systems required to continue to provide the highest quality children's hospital services to the community it serves. Gross property and equipment increased \$160 million during FY13, including \$123 million in construction in progress, primarily for the construction of LPCH's portion of the Renewal Project.

Other LPCH Highlights

LPCH's community benefits, including services to patients under Medi-Cal and other publicly sponsored programs that reimburse at amounts less than the cost of services, were \$169 million in FY13 compared with \$230 million in FY12. The decrease was primarily due to fewer Medi-Cal patients in relation to the total hospital patients and higher Medi-Cal charges in relation to applicable costs. These amounts also include investments LPCH makes in improving the health of the children through a range of community-based programs.

HEALTH CARE REFORM

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "Acts") were signed into law. These Acts broadly affect the health care industry, including a significant expansion of health care coverage. Some provisions were effective immediately; others will be phased in through 2014 and later years. The impacts of these Acts will significantly affect SHC and LPCH. Management continues to assess and plan for the impact of the Acts and other significant changes in the health care industry.

Looking Forward

Stanford's strong financial position, together with our existing physical infrastructure and planned capital improvements provide a solid foundation to further develop and enhance our core teaching, research and patient care missions. We continue to target avenues to deliver a quality Stanford education through efforts such as online learning, entrepreneurship education, and investments in the arts and humanities. The Hospitals' affiliations with multi-specialty physician practice organizations

throughout the Bay Area enable Stanford to provide excellent primary and specialty patient services to a broader population through this expanded network.

As we look forward, however, we remain vigilant of the significant risks and challenges that exist and navigate our future cautiously. The outlook for federal research funding continues to be uncertain as the Federal government continues to address significant budget issues. We remain committed to providing strong financial aid programs to offset continuing financial pressures on students and their families. The Stanford Medical Center faces significant uncertainty as it plans for the impact of existing and imminent healthcare reform. These challenges remain at the forefront of our planning approach.

As we approach the opportunities and challenges ahead, Stanford is optimistic about the future of higher education, research and health care and is grateful for the continued commitment, trust and support of the Stanford community.



Randall S. Livingston
Vice President for Business Affairs
and Chief Financial Officer
Stanford University



M. Suzanne Calandra
Senior Associate Vice President for Finance
Stanford University



Daniel J. Morissette
Chief Financial Officer
Stanford Hospital and Clinics



Timothy W. Carmack
Chief Financial Officer
Lucile Salter Packard Children's Hospital
at Stanford

SELECTED FINANCIAL AND OTHER DATA

Fiscal Years Ended August 31

	2013	2012	2011	2010	2009
(dollars in millions)					
CONSOLIDATED STATEMENT OF ACTIVITIES HIGHLIGHTS:					
Total Revenues (D)	\$ 7,359	\$ 6,814	\$ 6,289	\$ 5,707	\$ 5,542
Student income (A)	511	481	458	436	401
Sponsored research support	1,233	1,234	1,247	1,143	1,031
Health care services (D)	3,734	3,245	2,902	2,542	2,364
Total Expenses (D)	6,794	6,298	5,774	5,345	5,033
Change in net assets from operating activities	565	516	515	362	509
Other changes in net assets	2,441	1,043	3,194	1,131	(5,450)
Net change in total net assets	\$ 3,006	\$ 1,559	\$ 3,709	\$ 1,493	\$ (4,941)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS:					
University					
Investments at fair value	\$ 24,703	\$ 22,247	\$ 21,189	\$ 17,804	\$ 16,501
Plant facilities, net of accumulated depreciation	4,208	3,826	3,674	3,584	3,270
Notes and bonds payable	3,098	2,709	2,727	2,816	2,517
Total assets	31,540	28,981	27,698	24,553	22,672
Total liabilities	5,817	5,476	5,143	5,118	4,633
Total net assets	25,723	23,505	22,555	19,435	18,039
Hospitals					
Investments at fair value	2,271	1,899	1,796	1,359	1,257
Plant facilities, net of accumulated depreciation	1,787	1,494	1,333	1,283	1,260
Notes and bonds payable	1,684	1,700	983	992	999
Total assets	6,448	5,803	4,283	3,658	3,472
Total liabilities	2,489	2,633	1,722	1,686	1,597
Total net assets	3,959	3,170	2,561	1,972	1,875
OTHER UNIVERSITY FINANCIAL DATA AND METRICS:					
Total endowment at year end	\$ 18,689	\$ 17,036	\$ 16,503	\$ 13,851	\$ 12,619
Endowment payout in support of operations	921	871	785	855	957
As a % of beginning of year endowment	5.4%	5.3%	5.7%	6.8%	5.6%
As a % of total expenses	23.2%	23.1%	22.4%	25.9%	30.6%
Total gifts (B)	932	1,035	709	599	640
STUDENTS:					
ENROLLMENT: (C)					
Undergraduate	6,980	6,999	6,927	6,887	6,878
Graduate	8,897	8,871	8,796	8,779	8,441
DEGREES CONFERRED:					
Bachelor degrees	1,661	1,715	1,670	1,671	1,680
Advanced degrees	3,365	3,305	3,199	3,046	2,932
FACULTY:					
Total Professoriate	1,995	1,934	1,903	1,910	1,876
ANNUAL UNDERGRADUATE TUITION RATE (IN DOLLARS)	\$ 41,250	\$ 40,050	\$ 38,700	\$ 37,380	\$ 36,030

(A) Financial aid is reported as a reduction of student income in the Statement of Activities.

(B) As reported by the Office of Development (See Note 14). Beginning in 2009, reported amounts include SHC gifts.

(C) Enrollment for fall quarter immediately following fiscal year end.

(D) Certain prior year amounts have been reclassified to conform to the current year's presentation.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The University is the sole member of Stanford Hospital and Clinics and Lucile Packard Children's Hospital at Stanford; however, each of the Hospitals has its own separate management with responsibility for its own financial reporting.

Management of the University and the Hospitals is responsible for the integrity and objectivity of their respective portions of these financial statements. The University oversees the process of consolidating the Hospitals' information into the consolidated financial statements. Management of each entity represents that, with respect to its financial information, the consolidated financial statements in this annual report have been prepared in conformity with accounting principles generally accepted in the United States of America.

In accumulating and controlling financial data, management of the University and the Hospitals maintains separate systems of internal accounting controls. Management of the respective entities believes that effective internal controls are maintained and communication of accounting and business policies, by selection and training of qualified personnel and by programs of internal audits, give reasonable assurance, at reasonable cost, that assets are protected and that transactions and events are recorded properly.

The accompanying consolidated financial statements have been audited by the University's and Hospitals' independent auditors, PricewaterhouseCoopers LLP. Their report expresses an informed judgment as to whether the consolidated financial statements, considered in their entirety, present fairly, in conformity with accounting principles generally accepted in the United States of America, the consolidated financial position and changes in net assets and cash flows. The independent auditors' opinion is based on audit procedures described in their report, which include obtaining an understanding of systems, procedures and internal accounting controls, and performing tests and other audit procedures to provide reasonable assurance that the financial statements are neither materially misleading nor contain material errors. While the independent auditors test procedures and controls, it is neither practical nor necessary for them to scrutinize a large portion of transactions.

The Board of Trustees of the University and the separate Boards of Directors of the Hospitals, through their respective Audit and Compliance Committees, comprised of trustees and directors not employed by the University or the Hospitals, are responsible for engaging the independent auditors and meeting with management, internal auditors and the independent auditors to independently assess whether each is carrying out its responsibility and to discuss auditing, internal control and financial reporting matters. Both the internal auditors and the independent auditors have full and free access to the respective Audit and Compliance Committees. Both meet with the respective Audit and Compliance Committees at least annually, with and without each other, and without the presence of management representatives.



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Independent Auditor's Report

To the Board of Trustees
Stanford University

We have audited the accompanying consolidated financial statements of Stanford University and its subsidiaries ("Stanford"), which comprise the consolidated balance sheets as of August 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Stanford University and its subsidiaries at August 31, 2013 and 2012, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP".

December 11, 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, 2013 and 2012 (in thousands of dollars)

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
ASSETS				
Cash and cash equivalents	\$ 784,443	\$ 637,240	\$ 1,421,683	\$ 1,734,848
Assets limited as to use, held by trustees	165,238	730,944	896,182	728,324
Accounts receivable, net	358,483	649,855	1,008,338	1,070,545
Receivables (payables) from SHC and LPCH, net	81,649	(81,649)	-	-
Prepaid expenses and other assets	62,223	136,885	199,108	180,649
Pledges receivable, net	644,811	316,923	961,734	1,068,254
Student loans receivable, net	78,437	-	78,437	76,699
Faculty and staff mortgages and other loans receivable, net	453,330	-	453,330	459,382
Investments at fair value, including securities pledged or on loan of \$55,355 and \$97,788 for 2013 and 2012, respectively	24,703,407	2,271,068	26,974,475	24,145,684
Plant facilities, net of accumulated depreciation	4,207,927	1,786,689	5,994,616	5,320,445
Works of art and special collections	-	-	-	-
TOTAL ASSETS	\$ 31,539,948	\$ 6,447,955	\$ 37,987,903	\$ 34,784,830
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 653,413	\$ 678,724	\$ 1,332,137	\$ 1,368,085
Accrued pension and post retirement benefit cost	542,924	126,661	669,585	803,545
Pending trades of securities	405,748	-	405,748	410,120
Liabilities under security lending agreements	84,048	-	84,048	141,199
Deferred rental and other income	584,067	-	584,067	556,728
Income beneficiary share of split interest agreements	394,195	-	394,195	367,037
Notes and bonds payable	3,098,433	1,684,045	4,782,478	4,409,133
U.S. government refundable loan funds	54,019	-	54,019	53,783
TOTAL LIABILITIES	5,816,847	2,489,430	8,306,277	8,109,630
NET ASSETS:				
Unrestricted	13,485,411	2,943,726	16,429,137	14,338,345
Temporarily restricted	6,612,755	806,467	7,419,222	6,742,962
Permanently restricted	5,624,935	208,332	5,833,267	5,593,893
TOTAL NET ASSETS	25,723,101	3,958,525	29,681,626	26,675,200
TOTAL LIABILITIES AND NET ASSETS	\$ 31,539,948	\$ 6,447,955	\$ 37,987,903	\$ 34,784,830

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended August 31, 2013 and 2012 (in thousands of dollars)

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
UNRESTRICTED NET ASSETS				
OPERATING REVENUES:				
Student income:				
Undergraduate programs	\$ 311,027	\$ -	\$ 311,027	\$ 298,049
Graduate programs	297,042	-	297,042	287,225
Room and board	144,887	-	144,887	135,879
Student financial aid	(241,512)	-	(241,512)	(240,649)
TOTAL STUDENT INCOME	511,444	-	511,444	480,504
Sponsored research support:				
Direct costs - University	657,296	-	657,296	639,630
Direct costs - SLAC National Accelerator Laboratory	350,406	-	350,406	368,187
Indirect costs	225,500	-	225,500	226,424
TOTAL SPONSORED RESEARCH SUPPORT	1,233,202	-	1,233,202	1,234,241
Health care services:				
Patient care, net	-	3,710,326	3,710,326	3,220,020
Physicians' services and support - SHC and LPCH, net	600,346	(600,346)	-	-
Physicians' services and support - other facilities, net	23,250	-	23,250	25,019
TOTAL HEALTH CARE SERVICES	623,596	3,109,980	3,733,576	3,245,039
CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	180,071	5,074	185,145	184,519
Net assets released from restrictions:				
Payments received on pledges	80,197	1,584	81,781	81,873
Prior year gifts released from donor restrictions	41,791	3,440	45,231	30,850
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	121,988	5,024	127,012	112,723
Investment income distributed for operations:				
Endowment	920,672	13,631	934,303	883,425
Expendable funds pools and other investment income	83,848	610	84,458	132,069
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	1,004,520	14,241	1,018,761	1,015,494
SPECIAL PROGRAM FEES AND OTHER INCOME	463,450	85,978	549,428	542,102
TOTAL OPERATING REVENUES	4,138,271	3,220,297	7,358,568	6,814,622
OPERATING EXPENSES:				
Salaries and benefits	2,498,157	1,530,865	4,029,022	3,711,908
Depreciation	291,732	133,853	425,585	406,568
Other operating expenses	1,182,960	1,156,177	2,339,137	2,179,670
TOTAL OPERATING EXPENSES	3,972,849	2,820,895	6,793,744	6,298,146
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	\$ 165,422	\$ 399,402	\$ 564,824	\$ 516,476

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES, Continued

For the years ended August 31, 2013 and 2012 (in thousands of dollars)

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
UNRESTRICTED NET ASSETS (continued)				
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	\$ 165,422	\$ 399,402	\$ 564,824	\$ 516,476
Non-operating activities:				
Increase in reinvested gains	899,321	178,458	1,077,779	445,626
Donor advised funds, net	1,930	-	1,930	38,998
Current year gifts not included in operations	2,902	-	2,902	253,390
Equity and fund transfers from Hospitals, net	29,002	(29,002)	-	-
Capital and other gifts released from restrictions	192,676	8,807	201,483	130,730
Pension and other post employment benefit related changes other than net periodic benefit expense	145,927	32,153	178,080	(122,071)
Transfer to permanently restricted net assets, net	(37,010)	-	(37,010)	(36,361)
Transfer to temporarily restricted net assets, net	(19,621)	-	(19,621)	(21,032)
Swap interest and change in value of swap agreements	17,682	102,928	120,610	(91,415)
Other	821	(1,006)	(185)	(12,417)
NET CHANGE IN UNRESTRICTED NET ASSETS	1,399,052	691,740	2,090,792	1,101,924
TEMPORARILY RESTRICTED NET ASSETS				
Gifts and pledges, net	345,526	96,193	441,719	604,581
Increase (decrease) in reinvested gains	526,818	31,879	558,697	(205,327)
Change in value of split interest agreements, net	1,121	317	1,438	5,703
Net assets released to operations	(121,988)	(24,339)	(146,327)	(132,086)
Capital and other gifts released to unrestricted net assets	(192,676)	(8,807)	(201,483)	(130,730)
Gift transfers to Hospitals, net	(152)	152	-	-
Transfer from unrestricted net assets, net	19,621	-	19,621	21,032
Transfer from (to) permanently restricted net assets, net	4,744	-	4,744	(19,448)
Other	(2,774)	625	(2,149)	1,271
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	580,240	96,020	676,260	144,996
PERMANENTLY RESTRICTED NET ASSETS				
Gifts and pledges, net	164,102	758	164,860	227,499
Increase in reinvested gains	17,261	-	17,261	4,612
Change in value of split interest agreements, net	23,623	1,364	24,987	24,465
Fund transfers from Hospitals, net	1,140	(1,140)	-	-
Transfer from unrestricted net assets, net	37,010	-	37,010	36,361
Transfer (to) from temporarily restricted net assets, net	(4,744)	-	(4,744)	19,448
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	238,392	982	239,374	312,385
NET CHANGE IN TOTAL NET ASSETS	2,217,684	788,742	3,006,426	1,559,305
Total net assets, beginning of year	23,505,417	3,169,783	26,675,200	25,115,895
TOTAL NET ASSETS, END OF YEAR	\$ 25,723,101	\$ 3,958,525	\$ 29,681,626	\$ 26,675,200

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31, 2013 and 2012 (in thousands of dollars)

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
CASH FLOW FROM OPERATING ACTIVITIES				
Change in net assets	\$ 2,217,684	\$ 788,742	\$ 3,006,426	\$ 1,559,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	291,732	133,853	425,585	406,568
Amortization, loss on disposal of fixed assets and other adjustments	17,093	(4,944)	12,149	18,802
Net gains on investments and security agreements	(2,209,297)	(156,589)	(2,365,886)	(980,011)
Net losses (gains) on derivatives	(34,407)	-	(34,407)	87,084
Changes in split interest agreements	28,705	(1,681)	27,024	8,912
Investment gains for restricted purposes	(13,190)	(14,056)	(27,246)	(7,656)
Gifts restricted for long-term investments	(158,086)	(109,195)	(267,281)	(610,010)
Equity and fund transfers from Hospitals	(29,990)	29,990	-	-
Gifts of securities and properties	(116,980)	-	(116,980)	(355,313)
Premiums received from bond issuance	113,731	-	113,731	81,048
Changes in operating assets and liabilities:				
Accounts receivable, pledges receivable and receivables from SHC and LPCH, net	(61,938)	(14,477)	(76,415)	(152,492)
Prepaid expenses and other assets	20,802	(35,530)	(14,728)	(20,302)
Accounts payable and accrued expenses	47,202	(112,113)	(64,911)	130,786
Accrued pension and post retirement benefit costs	(106,394)	(27,566)	(133,960)	140,599
Deferred rental and other income	27,339	-	27,339	8,365
Other	1,115	(4,241)	(3,126)	(5,019)
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,121	472,193	507,314	310,666
CASH FLOW FROM INVESTING ACTIVITIES				
Land, building and equipment purchases	(622,131)	(410,246)	(1,032,377)	(686,652)
Student, faculty and other loans:				
New loans made	(70,684)	-	(70,684)	(56,060)
Principal collected	70,077	-	70,077	56,852
Increase in assets limited as to use, held by trustees	(165,238)	(2,620)	(167,858)	(728,324)
Purchases of investments	(19,997,639)	(254,994)	(20,252,633)	(13,149,999)
Sales and maturities of investments	19,997,579	53,648	20,051,227	13,439,894
NET CASH USED FOR INVESTING ACTIVITIES	(788,036)	(614,212)	(1,402,248)	(1,124,289)
CASH FLOW FROM FINANCING ACTIVITIES				
Gifts and reinvested income for restricted purposes	152,393	218,657	371,050	278,412
Equity and fund transfers from Hospitals	21,335	(21,335)	-	-
Proceeds from borrowing	496,719	-	496,719	1,248,871
Bond issuance costs and interest rate swaps	(2,229)	-	(2,229)	(8,809)
Repayment of notes and bonds payable	(214,033)	(12,823)	(226,856)	(623,413)
Decrease in liabilities under security lending agreements	(57,151)	-	(57,151)	(40,828)
Other	236	-	236	23
NET CASH PROVIDED BY FINANCING ACTIVITIES	397,270	184,499	581,769	854,256
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(355,645)	42,480	(313,165)	40,633
Cash and cash equivalents, beginning of year	1,140,088	594,760	1,734,848	1,694,215
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 784,443	\$ 637,240	\$ 1,421,683	\$ 1,734,848
SUPPLEMENTAL DATA:				
Interest paid during the year	\$ 117,622	\$ 84,010	\$ 201,632	\$ 167,072
Cash collateral received under security lending agreements	\$ 57,810	\$ -	\$ 57,810	\$ 106,581
Increase in payables for plant facilities	\$ 51,152	\$ 16,237	\$ 67,389	\$ 47,208

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Stanford University (the "University"), Stanford Hospital and Clinics (SHC), Lucile Salter Packard Children's Hospital at Stanford (LPCH) and other majority-owned or controlled entities. All significant inter-entity transactions and balances have been eliminated upon consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation. These reclassifications had no impact on the change in net assets or total net assets.

University

The University is a private, not-for-profit educational institution, founded in 1885 by Senator Leland and Mrs. Jane Stanford in memory of their son, Leland Stanford Jr. A Board of Trustees (the "Board") governs the University. The University category presented in the consolidated financial statements comprises all of the accounts of the University, including its institutes and research centers, and the Stanford Management Company.

SLAC National Accelerator Laboratory (SLAC) is a federally funded research and development center owned by the Department of Energy (DoE). The University manages and operates SLAC for the DoE under a management and operating contract; accordingly, the revenues and expenditures of SLAC are included in the University's *Statements of Activities*, but SLAC's assets and liabilities are not included in the University's *Statements of Financial Position*. SLAC employees are University employees and participate in the University's employee benefit programs. The University holds some receivables from the DoE substantially related to reimbursement for employee compensation and benefits.

Hospitals

SHC and LPCH are California not-for-profit public benefit corporations. The University is the sole member of each of these entities. SHC and LPCH support the mission of medical education and clinical research of the University's School of Medicine (SoM). Collectively, these entities comprise the Stanford Medical Center. They operate two licensed acute care and specialty hospitals on the Stanford campus and numerous physician clinics on the campus, in community settings and in association with regional hospitals in the San Francisco Bay Area and elsewhere in California. The University has partnered with SHC and LPCH, respectively, to establish physician practice management organizations to support the Stanford Medical Center's mission of delivering quality care to the community and conducting research and education.

The "Hospitals" category presented in the consolidated financial statements comprises all of the accounts of SHC, LPCH, the University HealthCare Alliance and Packard Children's Health Alliance physician practice management organizations, and a captive insurance company which SHC and LPCH jointly control. For purposes of presentation of the Hospitals' balance sheets, statements of operations and changes in net assets and statements of cash flows in these consolidated financial statements, conforming reclassifications have been made to the Hospitals' revenues, expenses, investment income and inter-entity receivables and payables consistent with categories in these consolidated financial statements.

TAX STATUS

The University and the Hospitals are exempt from federal and state income taxes to the extent provided by Section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxed at corporate income tax rates.

In accordance with the guidance on accounting for uncertainty in income taxes, management regularly evaluates its tax positions and does not believe the University or Hospitals have any uncertain tax positions that require disclosure or adjustment to the financial statements. The University and Hospitals are subject to routine audits by taxing jurisdictions. The University and Hospitals believe they are no longer subject to income tax examinations for fiscal years prior to August 31, 2010.

BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

For financial reporting purposes, net assets and revenues, expenses, gains and losses are classified into one of three categories - unrestricted, temporarily restricted or permanently restricted.

Unrestricted Net Assets

Unrestricted net assets are expendable resources which are not subject to donor-imposed restrictions. Unrestricted net assets include funds designated for operations, net investment in plant facilities, certain investment and endowment gains and funds functioning as endowment. These net assets may be designated by the University or the Hospitals for specific purposes under internal operating and administrative arrangements or be subject to contractual agreements with external parties. Donor-restricted contributions that relate to the University's or the Hospitals' core activities and are received and expended or deemed expended based on the nature of donors' restrictions are classified as unrestricted. All expenses are recorded as a reduction of unrestricted net assets.

The operating activities of the University and the Hospitals include the revenues earned and expenses incurred in the current year to support the University's core activities of teaching and research or the Hospitals' patient care, teaching and research missions. The non-operating activities of the University and Hospitals include increases in reinvested gains, current year gifts not included in operations, capital and other gifts released from restrictions, pension and other post employment benefit related changes other than net periodic benefit expense and certain other non-operating activities.

Transfers from unrestricted net assets to temporarily restricted net assets and permanently restricted net assets are primarily the result of donor redesignations or matching funds that are added to donor gift funds which then take on the same restrictions as the donor gift.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts and pledges that are subject to donor-imposed restrictions that expire with the passage of time, payment of pledges or specific actions to be undertaken by the University or the Hospitals, which are then released and reclassified to unrestricted net assets. In addition, appreciation and income on certain donor-restricted endowment funds are classified as temporarily restricted net assets until authorized for spending (see *Notes 12 and 13*). Donor-restricted resources intended for capital projects are initially recorded as temporarily restricted and released from their temporary restrictions and reclassified as unrestricted net assets when the asset is placed in service.

Also included in this category is the University's net equity in split interest agreements that are expendable at maturity.

Permanently Restricted Net Assets

Permanently restricted net assets consist primarily of endowment, annuity and life income funds which are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity. Permanently restricted net assets may also include funds reclassified from other classes of net assets as a result of donor-imposed stipulations, the University's net equity in split interest agreements that are not expendable at maturity and net assets which by donor stipulation must be made available in perpetuity for specific purposes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the *Statements of Financial Position* consist of U.S. Treasury bills, commercial paper, certificates of deposit, money market funds and all other short-term investments with original maturities of 90 days or less at the time of purchase. These amounts are carried at cost, which approximates fair value. Cash and cash equivalents that are held for investment purposes are classified as investments (see *Note 5*).

ASSETS LIMITED AS TO USE, HELD BY TRUSTEES

Assets limited as to use include various accounts for the University and Hospitals held by trustees in accordance with indenture requirements. The indenture terms require that the trustees control the expenditure of bond proceeds for University and Hospitals capital projects. Assets limited as to use consist of cash and cash equivalents and short-term investments, recorded at cost, which approximates fair value.

ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable are carried at cost, less an allowance for doubtful accounts.

PLEDGES RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and are classified as temporarily restricted or permanently restricted, depending upon donor stipulations. Pledges recognized on or after September 1, 2008 are recorded at an applicable risk-adjusted discount rate commensurate with the duration of the donor's payment plan. Pledges recognized in periods prior to September 1, 2008 were recorded at a discount based on the U.S. Treasury rate. Conditional promises, which depend on the occurrence of a specified future and uncertain event, such as matching gifts from other donors, are recognized when the conditions are substantially met.

INVESTMENTS

Investments are recorded at fair value. Gains and losses (realized and unrealized) on investments are recognized in the *Statements of Activities* (see *Note 5*).

The investment portfolio may be exposed to various risks, including, but not limited to, interest rate, market, sovereign, concentration, counterparty, liquidity and credit risk. Fair value reporting requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. Estimates developed using methods such as discounted cash flow are subjective, requiring significant judgments such as the amount and timing of future cash flows and the selection of appropriate discount rates that reflects market and credit risks. The University and the Hospitals regularly assess these risks through established policies and procedures. Actual results could differ from these estimates and such differences could have a material impact on the consolidated financial statements.

PLANT FACILITIES

Plant facilities are recorded at cost or, for donated assets, at fair value at the date of donation. Interest expense for construction financing, net of income earned on unspent proceeds, is capitalized as a cost of construction. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The useful lives used in calculating depreciation for the years ended August 31, 2013 and 2012 are as follows:

	UNIVERSITY	HOSPITALS
Land improvements	10-25 years	10-25 years
Buildings and building improvements	4-50 years	7-40 years
Furniture, fixtures and equipment	3-10 years	3-20 years
Utilities	5-40 years	N/A

WORKS OF ART AND SPECIAL COLLECTIONS

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are not capitalized. Donations of such collections are not recorded for financial statement purposes; rather, purchases of such collections are recorded as operating expenses in the period in which they are acquired.

DONATED ASSETS

Donated assets, other than works of art and special collections as discussed above, are recorded at fair value at the date of donation. Undeveloped land, including land acquired under the original endowment from Senator Leland and Mrs. Jane Stanford, is reported at fair value at the date of acquisition. Under the terms of the original founding grant, a significant portion of University land may not be sold.

DONOR ADVISED FUNDS

The University receives gifts from donors under donor advised fund (DAF) agreements. These funds are owned and controlled by the University and are separately identified by donor. A substantial portion of the gift must be designated to the University. The balance may be used to support other approved charities. The donors have advisory privileges with respect to the distribution of certain amounts in the funds. Current year gifts under the DAF agreements are included in the *Statements of Activities* as "donor advised funds, net" at the full amount of the gift. Transfers of funds to other charitable organizations are included in the *Statements of Activities* as a reduction to "donor advised funds, net" at the time the transfer is made. At August 31, 2013 and 2012, approximately \$268.1 million and \$251.0 million, respectively, of DAFs are not designated to the University.

SPLIT INTEREST AGREEMENTS

Split interest agreements consist of arrangements with donors where the University and the Hospitals have an interest in assets held by the trustee and receive benefits that are shared with other beneficiaries. Split interest agreements where the University and the Hospitals are not the trustee are recorded in the "assets held by other trustees" category of "investments" in the *Statements of Financial Position* as described in *Note 5*.

The assets held under split interest agreements where the University is the trustee were \$679.7 million and \$632.2 million at August 31, 2013 and 2012, respectively, and were recorded in various categories in "investments" and the discounted present value of any income beneficiary interest is reported as "income beneficiary share of split interest agreements" in the *Statements of Financial Position*. The discount rates used, which range from 1% to 6%, are established in the year the gift was received and are based on tables established by the Internal Revenue Service.

During fiscal years 2013 and 2012, the discounted present value of new gifts subject to split interest agreements where the University is the trustee, net of the income beneficiary share, were \$21.2 million and \$31.2 million, respectively, and were included in "gifts and pledges, net" in the *Statements of Activities*. Actuarial gains or losses are included in "change in value of split interest agreements, net" in the *Statements of Activities*.

Funds subject to donor-imposed restrictions requiring that the principal be invested in perpetuity are classified as "permanently restricted net assets" in the *Statements of Financial Position*; all others are classified as "temporarily restricted net assets" until the expiration of the donor-imposed restrictions, at which point they will be classified as "unrestricted net assets."

SELF-INSURANCE

The University self-insures at varying levels for unemployment, disability, workers' compensation, property losses, certain health care plans and general and professional liability losses. The Hospitals self-insure at varying levels for health care plans, workers' compensation and, through their captive insurance company, for professional liability losses. Third-party insurance is purchased to cover liabilities above the self-insurance limits. Estimates of retained exposures are accrued.

INTEREST RATE EXCHANGE AGREEMENTS

The University and the Hospitals have entered into several interest rate exchange agreements to reduce the effect of interest rate fluctuation on their variable rate revenue bonds and notes. Current accounting guidance for derivatives and hedges requires entities to recognize all derivative instruments at fair value. The University and the Hospitals do not designate and qualify their derivatives for hedge accounting; accordingly, any changes in the fair value (i.e. gains or losses) flow directly to the *Statements of Activities* in "swap interest and change in value of swap agreements". The settlements (net cash payments less receipts) under the interest rate exchange agreements are recorded in the *Statements of Activities* in "swap interest and change in value of swap agreements" for the University and in "other operating expenses" for the Hospitals.

STUDENT INCOME

Financial assistance in the form of scholarship and fellowship grants that cover a portion of tuition, living and other costs is reflected as a reduction of student income.

PATIENT CARE AND OTHER SERVICES

Health Care Services

The Hospitals derive a majority of patient care revenues from contractual agreements with Medicare, Medi-Cal and other third-party payers. Payments under these agreements and programs are based on a variety of payment models. "Patient care, net" is reported in the *Statements of Activities* at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are estimated and recorded in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Contracts, laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. As a result, it is reasonably possible that recorded estimates may change by a material amount in the near term. The provision for doubtful accounts is based upon management's assessment of expected net collections considering historical experience and other collection indicators.

The University has entered into various operating agreements with the Hospitals for the professional services of faculty members from the SoM, telecommunications services and other services and facilities charges.

Charity Care

The Hospitals provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. The Hospitals do not record revenue for amounts determined to qualify as charity care.

The estimated cost of providing charity care was \$21.3 million and \$27.8 million for the years ended August 31, 2013 and 2012, respectively. This cost is estimated by calculating a ratio of total costs to gross patient service charges at established rates, and then multiplying that ratio by gross uncompensated patient service charges at established rates associated with providing care to charity patients.

The Hospitals did not receive any funding to subsidize the costs of providing charity care for the years ended August 31, 2013 and 2012. The Hospitals also provide services to other patients under Medicare, Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. Estimated costs in excess of reimbursements for Medicare, Medi-Cal and other publicly sponsored programs for the years ended August 31, 2013 and 2012 were \$565.7 million and \$568.1 million, respectively.

Provider Fee

The State of California enacted legislation in 2009 through 2013 which established a Hospital Quality Assurance Fee (QAF) Program and a Hospital Fee Program. These programs imposed a provider fee on certain California general acute care hospitals that, combined with federal matching funds, would be used to provide supplemental payments to certain hospitals and support the State's effort to maintain health care coverage for children.

For the years ended August 31, 2013 and 2012, the Hospitals recorded \$52.6 million and \$76.5 million, respectively, in "other operating expenses" and recognized \$133.0 million and \$117.6 million, respectively, in "patient care, net" revenue under these programs.

Electronic Health Records Program

The Hospitals are participating in the Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs, which provide payments to eligible professionals, eligible hospitals and critical access hospitals as they adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology. For the years ended August 31, 2013 and 2012, the Hospitals recognized \$12.1 million and \$13.4 million, respectively, of revenue under these programs in "special program fees and other income."

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2012, the Financial Accounting Standards Board (FASB) issued an update to the Accounting Standards Codification (ASC) to improve consistency in practice about how to classify cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows. The guidance is effective for interim periods beginning after June 15, 2013. The University and Hospitals are currently evaluating the impact that this guidance will have on its consolidated financial statements.

In December 2011, the FASB issued an update to the ASC which expanded the required disclosures about offsetting and related arrangements of an entity's financial assets and liabilities. The disclosures are intended to provide additional information to assist financial statement users in understanding the effect of those arrangements on the entity's financial position. This guidance is effective for annual periods beginning after January 1, 2013. The University and Hospitals are currently evaluating the impact that this guidance will have on its consolidated financial statements.

In May 2011, the FASB issued an update to the ASC to ensure a consistent definition of fair value, fair value measurements and disclosure requirements under both U.S. GAAP and International Financial Reporting Standards. This guidance is effective for annual periods beginning after December 15, 2011. Key provisions include (1) additional information about Level 3 fair value measurements, including quantitative information about unobservable inputs, a description of the valuation process used, and a description of the sensitivity of fair value measurement to changes in inputs; and (2) for public entities, disclosure of all transfers between investments classified in the Level 1 and Level 2 fair value hierarchy. The University and the Hospitals have adopted this guidance for the year ended August 31, 2013.

2. Accounts Receivable

Accounts receivable, net of bad debt allowances, at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
U.S. government sponsors	\$ 77,613	\$ -	\$ 77,613	\$ 72,194
Non-federal sponsors and programs	34,950	40,674	75,624	187,767
Pending trades of securities	194,331	-	194,331	241,458
Accrued interest on investments	8,659	-	8,659	7,255
Student	6,808	-	6,808	6,984
Patient and third-party payers	-	704,409	704,409	586,828
Other	38,544	19,568	58,112	71,242
	360,905	764,651	1,125,556	1,173,728
Less bad debt allowances	(2,422)	(114,796)	(117,218)	(103,183)
ACCOUNTS RECEIVABLE, NET	\$ 358,483	\$ 649,855	\$ 1,008,338	\$ 1,070,545

3. Pledges Receivable

Pledges are recorded at applicable risk-adjusted discount rates, ranging from 1.1% to 6.0% for the University and Hospitals, commensurate with the duration of the donor's payment plan. At August 31, 2013 and 2012, pledges receivable, net of discounts and allowances, in thousands of dollars, are as follows:

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
One year or less	\$ 126,092	\$ 32,957	\$ 159,049	\$ 193,953
Between one year and five years	623,496	230,957	854,453	931,410
More than five years	78,182	88,160	166,342	193,634
	827,770	352,074	1,179,844	1,318,997
Less discounts and allowances	(182,959)	(35,151)	(218,110)	(250,743)
PLEDGES RECEIVABLE, NET	\$ 644,811	\$ 316,923	\$ 961,734	\$ 1,068,254

Conditional pledges for the University, which depend on the occurrence of a specified future and uncertain event, were \$9.0 million and \$10.7 million at August 31, 2013 and 2012, respectively. The Hospitals had conditional pledges of \$119.6 million and \$136.6 million at August 31, 2013 and 2012, respectively. The majority of these conditional pledges are related to construction or time defined milestones related to the Medical Center Renewal Project. Lucile Packard Foundation for Children's Health is the primary community fundraising agent for LPCH and the pediatric faculty and programs at the University's SoM.

4. Loans Receivable

The University's loans receivable consist primarily of student loans receivable and faculty and staff mortgages. Management regularly assesses the adequacy of the allowance for credit losses of its loans by performing ongoing evaluations, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans and the value of any collateral.

STUDENT LOANS RECEIVABLE

Student loans receivable consist of institutional and federally-sponsored loans due from both current and former students. Student loans and allowance for student loan losses at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	2013	2012
Institutional loans	\$ 20,144	\$ 19,350
Federally-sponsored loans	58,838	57,935
	78,982	77,285
Less allowance for student loan losses	(545)	(586)
STUDENT LOANS RECEIVABLE, NET	\$ 78,437	\$ 76,699

Institutional loans are funded by donor funds restricted for student loan purposes and University funds made available to meet demonstrated need in excess of all other sources of student loan borrowings.

Federally-sponsored loans are funded primarily by advances to the University primarily under the Federal Perkins Loan Program (the "Program"). Loans to students under the Program are subject to mandatory interest rates and significant restrictions, and loans issued under the Program can be assigned to the federal government in certain non-repayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Amounts received under the Program are ultimately refundable to the federal government in the event the University no longer participates in the Program, and accordingly, have been reported as an obligation in the *Statements of Financial Position* as "U.S. government refundable loan funds".

FACULTY AND STAFF MORTGAGES

In a program to attract and retain excellent faculty and senior staff, the University provides home mortgage financing assistance, primarily in the form of subordinated loans. Notes receivable amounting to \$450.6 million and \$456.6 million at August 31, 2013 and 2012, respectively, from University faculty and staff are included in "faculty and staff mortgages and other loans receivable, net" in the *Statements of Financial Position*. These loans and mortgages are collateralized by deeds of trust on properties concentrated in the region surrounding the University. Management has determined that no allowance is necessary.

5. Investments

Investments held by the University and the Hospitals are measured and recorded at fair value. The valuation methodology, investment categories, fair value hierarchy, certain investment activities and related commitments for fiscal years 2013 and 2012 are discussed below.

Investments held by the University and the Hospitals at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
Cash and cash equivalents	\$ 1,303,199	\$ 83,215	\$ 1,386,414	\$ 1,035,203
Collateral held for securities loaned	57,810	-	57,810	106,581
Public equities	5,545,012	114,180	5,659,192	4,695,764
Derivatives	5,942	-	5,942	(12,999)
Fixed income	1,273,525	49,636	1,323,161	916,857
Real estate	5,337,236	-	5,337,236	4,988,534
Natural resources	1,796,786	-	1,796,786	1,688,315
Private equities	5,361,599	-	5,361,599	5,196,771
Absolute return	5,579,275	-	5,579,275	5,157,640
Assets held by other trustees	172,605	14,858	187,463	168,066
Other	279,597	-	279,597	204,952
	26,712,586	261,889	26,974,475	24,145,684
Hospital funds invested in the University's Merged Pool	(2,009,179)	2,009,179	-	-
INVESTMENTS AT FAIR VALUE	\$ 24,703,407	\$ 2,271,068	\$ 26,974,475	\$ 24,145,684

VALUATION METHODOLOGY

To the extent available, the University's investments are recorded at fair value based on quoted prices in active markets. The University's investments that are listed on any U.S. or non-U.S. recognized exchanges are valued based on readily available market quotations. When such inputs do not exist, fair value measurements are based on the best available information and usually require a degree of judgment. For alternative investments, which are principally limited partnership investments in private equity, real estate, natural resources and hedge funds, the value is primarily based on the Net Asset Value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV reported is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through August 31, 2013 and 2012, respectively. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

The University exercises due diligence in assessing the policies, procedures, and controls implemented by its external investment managers and believes the University's proportionate share of the carrying amount of these alternative investments is a reasonable estimate of fair value. Such due diligence procedures include, but are not limited to, ongoing communication, on-site visits, and review of information from the external investment managers as well as review of performance. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms and restrictions, and risks inherent in the inputs of the external investment managers' valuation.

For alternative investments which are direct investments, the University considers various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections as well as discounted cash flow analysis. The selection of an appropriate valuation technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the University may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

INVESTMENT CATEGORIES

Investments are categorized by asset class and valued as described below:

Cash and cash equivalents categorized as investments include money market funds, overnight receivables on repurchase agreements and restricted cash. Overnight receivables on repurchase agreements are valued based on cost, which approximates fair value. Money market funds are valued based on reported unit values. Restricted cash includes collateral provided to or received from counterparties related to investment-related derivative contracts (see *Note 7*).

Collateral held for securities loaned originates in the form of cash and cash equivalents and is reinvested for income in cash equivalent vehicles. These investments are recorded at cost, which approximates fair value (see *Note 9*).

Public equities are investments valued based on quoted market prices on the last trading date on or before the balance sheet date of the principal market (and exchange rates, if applicable). They include investments that are directly held as well as commingled funds which invest in publicly traded equities. These investments are reported on a trade-date basis. The fair values of public equities held through alternative investments are calculated by the respective external investment managers as described under *Valuation Methodology* above.

Derivatives are used by the University to manage its exposure to certain risks relating to ongoing business and investment operations. Derivatives such as forward currency contracts, options, interest rate swaps and credit default swaps (CDS) are valued using models based on market verifiable inputs, or by using independent broker quotes.

Fixed income investments are valued by independent pricing sources, broker dealers or pricing models that factor in, where applicable, recently executed transactions, interest rates, bond or credit default spreads and volatility. They include investments that are actively traded fixed income securities or mutual funds.

Real estate represents directly owned real estate and other real estate interests held through limited partnerships. The fair value of real estate directly owned by the University, including the Stanford Shopping Center and the Stanford Research Park, is based primarily on discounted cash flows, using estimates from the asset manager or external investment managers, corroborated by appraisals and market data, if available. The fair value of real estate held through limited partnerships is based on NAV as reported by the external investment managers and is adjusted as described under *Valuation Methodology* above.

Natural resources are mostly held in commodity and energy related investments, which are valued on the basis of a combination of models, including appraisals, discounted cash flows and commodity price factors. The fair value of these types of alternative investments is based on NAV as reported by the external investment managers and is adjusted as described under *Valuation Methodology* above.

Private equities are investments that participate primarily in venture capital and leveraged buyout strategies. Distributions from these investments are received through liquidation of the underlying asset. The fair value of these types of alternative investments is based on the NAV reported by the external investment managers and is adjusted as described under *Valuation Methodology* above.

Absolute return investments are typically commingled funds that employ multiple strategies to produce positive returns, regardless of the direction of the financial markets. The fair value of these types of alternative investments is valued based on NAV as reported by the external investment managers and is adjusted as described under *Valuation Methodology* above.

Assets held by other trustees generally represent the University's and the Hospitals' residual interest in split interest agreements where the University or the Hospitals are not the trustee. The residual (or beneficial) interest represents the present value of the future distributions expected to be received over the term of the agreement, which approximates fair value, and the assets are based on estimates provided by trustees.

FAIR VALUE HIERARCHY

U.S. GAAP defines fair value as the price received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants. Current guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques used under U.S. GAAP must maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Investments whose values are based on quoted market prices in active markets for identical assets or liabilities are classified as Level 1. Level 1 investments include active listed equities and certain short term fixed income securities. Such investments are valued based upon the closing price quoted on the last trading date on or before the reporting date on the principal market, without adjustment.

Exchange-traded derivatives such as options, futures contracts and warrants using observable inputs such as the last reportable sale price or the most recent bid price are typically classified as Level 1 (see *Note 7*).

Level 2 – Investments that trade in markets that are not actively traded, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources for similar assets or liabilities are classified as Level 2. These investments include certain United States government and sovereign obligations, government agency obligations, investment grade corporate bonds and certain limited marketability securities.

Privately negotiated over-the-counter (OTC) derivatives such as forward currency contracts, CDS, total return swaps, and interest rate swaps are typically classified as Level 2 (see *Note 7*). In instances where quotations received from counterparties or valuation models are used, the value of an OTC derivative depends upon the contractual terms of the instrument as well as the availability and reliability of

observable inputs. Such inputs include market prices for reference securities, yield curves, and credit curves.

Level 3 – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. These investments primarily consist of the University’s alternative investments and are classified as Level 3 as the inputs are not observable. Certain alternative investments may be reclassified to Level 2 when the University has the ability to redeem them at NAV in the near term without significant restrictions on redemption.

The following tables summarize the University's and the Hospitals' investments and other assets within the fair value hierarchy and asset categories at August 31, 2013 and 2012, in thousands of dollars:

	AS OF			
	AUGUST 31, 2013	LEVEL 1	LEVEL 2	LEVEL 3
UNIVERSITY*				
Cash and cash equivalents	\$ 1,303,199	\$ 1,225,411	\$ 77,788	\$ -
Collateral held for securities loaned	57,810	-	57,810	-
Public equities	5,545,012	2,545,284	1,166,840	1,832,888
Derivatives	5,942	4,677	1,265	-
Fixed income	1,273,525	691,323	582,202	-
Real estate	5,337,236	66,910	-	5,270,326
Natural resources	1,796,786	249,617	-	1,547,169
Private equities	5,361,599	4,139	-	5,357,460
Absolute return	5,579,275	166,121	2,236,941	3,176,213
Assets held by other trustees	172,605	-	-	172,605
Other	279,597	804	103	278,690
TOTAL	26,712,586	4,954,286	4,122,949	17,635,351
HOSPITALS				
Cash and cash equivalents	83,215	78,607	4,608	-
Public equities	114,180	67,407	46,773	-
Fixed income	49,636	-	49,636	-
Assets held by other trustees	14,858	-	-	14,858
TOTAL	261,889	146,014	101,017	14,858
CONSOLIDATED TOTAL	\$ 26,974,475	\$ 5,100,300	\$ 4,223,966	\$ 17,650,209

* Amounts include the Hospitals' cross investment in the University's investment pools of \$2.0 billion.

	AS OF			
	AUGUST 31, 2012	LEVEL 1	LEVEL 2	LEVEL 3
UNIVERSITY*				
Cash and cash equivalents	\$ 993,908	\$ 898,162	\$ 95,746	\$ -
Collateral held for securities loaned	106,581	-	106,581	-
Public equities	4,580,668	2,209,678	265,186	2,105,804
Derivatives	(12,999)	23	(13,022)	-
Fixed income	916,857	325,271	591,586	-
Real estate	4,988,534	-	-	4,988,534
Natural resources	1,688,315	281,334	-	1,406,981
Private equities	5,196,771	33,617	-	5,163,154
Absolute return	5,157,640	156,269	1,790,422	3,210,949
Assets held by other trustees	154,462	-	-	154,462
Other	204,952	4	903	204,045
TOTAL	23,975,689	3,904,358	2,837,402	17,233,929
HOSPITALS				
Cash and cash equivalents	41,295	37,141	4,154	-
Public equities	115,096	66,907	48,189	-
Assets held by other trustees	13,604	-	-	13,604
TOTAL	169,995	104,048	52,343	13,604
CONSOLIDATED TOTAL	\$ 24,145,684	\$ 4,008,406	\$ 2,889,745	\$ 17,247,533

* Amounts include the Hospitals' cross investment in the University's investment pools of \$1.7 billion.

The University manages the majority of the Hospitals' investments, including the Hospitals' investment in the Merged Pool (MP), with a combined fair value of \$2.0 billion and \$1.7 billion at August 31, 2013 and 2012, respectively.

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITIES AND TRANSFERS

The following tables present the activities for Level 3 investments for the years ended August 31, 2013 and 2012, in thousands of dollars:

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BEGINNING BALANCE AS OF SEPTEMBER 1, 2012	SALES AND PURCHASES	NET REALIZED AND UNREALIZED GAINS	TRANSFERS IN	TRANSFERS OUT	ENDING BALANCE AS OF AUGUST 31, 2013	
UNIVERSITY							
Public equities	\$ 2,105,804	\$ 245,686	\$ (195,168)	\$ 303,566	\$ 13,183	\$ (640,183)	\$ 1,832,888
Real estate	4,988,534	444,838	(556,464)	403,383	-	(9,965)	5,270,326
Natural resources	1,406,981	268,981	(236,580)	100,212	9,965	(2,390)	1,547,169
Private equities	5,163,154	608,796	(775,787)	533,168	-	(171,871)	5,357,460
Absolute return	3,210,949	249,629	(590,059)	441,710	87,030	(223,046)	3,176,213
Assets held by other trustees	154,462	8,485	(9,363)	19,021	-	-	172,605
Other	204,045	44,393	(324,178)	354,430	-	-	278,690
TOTAL	17,233,929	1,870,808	(2,687,599)	2,155,490	110,178	(1,047,455)	17,635,351
HOSPITALS							
Assets held by other trustees	13,604	-	-	1,254	-	-	14,858
TOTAL	13,604	-	-	1,254	-	-	14,858
CONSOLIDATED TOTAL	\$ 17,247,533	\$ 1,870,808	\$ (2,687,599)	\$ 2,156,744	\$ 110,178	\$ (1,047,455)	\$ 17,650,209

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BEGINNING BALANCE AS OF SEPTEMBER 1, 2011	SALES AND PURCHASES	NET REALIZED AND UNREALIZED GAINS (LOSSES)	TRANSFERS IN	TRANSFERS OUT	ENDING BALANCE AS OF AUGUST 31, 2012	
UNIVERSITY							
Public equities	\$ 1,818,837	\$ 144,949	\$ (196,660)	\$ 246,955	\$ 91,723	\$ -	\$ 2,105,804
Real estate	4,500,588	455,238	(404,832)	437,540	-	-	4,988,534
Natural resources	1,465,589	164,985	(189,785)	(29,685)	-	(4,123)	1,406,981
Private equities	5,304,442	694,159	(739,224)	50,447	-	(146,670)	5,163,154
Absolute return	3,390,273	263,678	(611,871)	(7,156)	176,025	-	3,210,949
Assets held by other trustees	163,044	61,238	(61,798)	(8,022)	-	-	154,462
Other	180,775	24,156	(10,283)	9,397	-	-	204,045
TOTAL	16,823,548	1,808,403	(2,214,453)	699,476	267,748	(150,793)	17,233,929
HOSPITALS							
Assets held by other trustees	13,972	-	-	(368)	-	-	13,604
TOTAL	13,972	-	-	(368)	-	-	13,604
CONSOLIDATED TOTAL	\$ 16,837,520	\$ 1,808,403	\$ (2,214,453)	\$ 699,108	\$ 267,748	\$ (150,793)	\$ 17,247,533

Net realized and unrealized gains (losses) in the tables above are included in the *Statements of Activities* primarily as "increase (decrease) in reinvested gains" by level of restriction. For the years ended August 31, 2013 and 2012, the change in unrealized gains (losses) for Level 3 investments still held at August 31, 2013 and 2012 was \$1.8 billion and \$436.7 million, respectively.

Transfers in (out) include investments which have been reclassified to Level 2 as the University has the ability to redeem these at NAV in the near term. Transfers in (out) also include situations where observable inputs have changed, such as when Level 3 investments make distributions from an underlying asset with a fair value based on quoted market prices. All transfer amounts are based on the fair value at the beginning of the fiscal year. There were no transfers between Level 1 and Level 2 during the years ended August 31, 2013 and 2012.

LEVEL 3 INVESTMENT VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table presents the University's Level 3 investments, the valuation techniques used to measure the fair value of those investments, and the range of the significant unobservable inputs as of August 31, 2013. Level 3 investment fair value measurement may include both observable and unobservable inputs. The classification of an investment within Level 3 is based on the extent of the significance of unobservable inputs to the overall valuation. The observable inputs used in the valuation techniques, as presented below, are not included in the table.

For each investment category and respective valuation technique, the range of the significant unobservable input is dependent on the nature and characteristics of the investment. The input range and weighted average values may vary at each balance sheet date.

INVESTMENT CATEGORIES	FAIR VALUE ¹	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE		IMPACT TO VALUATION FROM AN INCREASE IN INPUT ²
				MIN.	MAX.	
Real estate	\$ 2,984,011	Discounted cash flow	Discount rate	5.8%	14.0%	Decrease
			Capitalization rate	5.0%	8.0%	Decrease
Natural resources	78,285	Market comparables	Weights ascribed to market comparables	20.0%	60.0%	N/A
Other	278,690	Market comparables	Recent transactions	N/A	N/A	N/A
TOTAL AMOUNT WITH SIGNIFICANT UNOBSERVABLE INPUTS						
						\$ 3,340,986

¹ The following Level 3 asset categories were excluded from the above quantitative disclosure as their fair value is primarily based on the NAV reported by the external investment managers and is adjusted as described under Valuation Methodology above. Public equities of \$1.8 billion, real estate of \$2.3 billion, natural resources of \$1.5 billion, private equity of \$5.3 billion, absolute return of \$3.2 billion and assets held by other trustees of \$0.2 billion were excluded and were valued at a total of \$14.3 billion as of August 31, 2013.

² Unless otherwise noted, this column represents the directional change in the fair value of the Level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these unobservable inputs in isolation could result in significantly higher or lower fair value measurements.

INVESTMENT-RELATED COMMITMENTS

The University is obligated under some alternative investment agreements to advance additional funding up to specified levels over a period of several years. The following table presents significant terms of such agreements for all related alternative investments at August 31, 2013, in thousands of dollars:

ASSET CLASS	FAIR VALUE	UNFUNDED COMMITMENT	REMAINING LIFE (YEARS)	REDEMPTION TERMS AND RESTRICTIONS
Public equities	\$ 2,999,728	\$ 43,896	0 to 5	Generally, lock-up provisions ranging from 0 to 5 years. After initial lock up expires, redemptions are available on a rolling basis and require 3 to 180 days prior notification.
Real estate	2,040,881	898,765	0 to 13	Not eligible for redemption
Natural resources	1,416,490	830,179	0 to 15	Not eligible for redemption
Private equities	5,357,460	1,735,781	0 to 16	Not eligible for redemption
Absolute return	5,413,154	649,154	0 to 7	Generally, lock-up provisions ranging from 0 to 6 years. After initial lock up expires, redemptions are available on a rolling basis and require 2 to 180 days prior notification.
TOTAL	\$17,227,713	\$ 4,157,775		

INVESTMENT RETURNS

Total investment returns for the years ended August 31, 2013 and 2012, in thousands of dollars, are as follows:

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
Investment income	\$ 292,668	\$ 16,808	\$ 309,476	\$ 290,990
Net realized and unrealized gains	2,216,714	209,451	2,426,165	1,022,286
TOTAL INVESTMENT RETURNS	\$ 2,509,382	\$ 226,259	\$ 2,735,641	\$ 1,313,276
<i>Reconciliation to Statements of Activities:</i>				
Total investment income distributed for operations	\$ 1,004,520	\$ 14,241	\$ 1,018,761	\$ 1,002,436
Increase in reinvested gains - unrestricted	899,321	178,458	1,077,779	445,626
Increase (decrease) in reinvested gains - temporarily restricted	526,818	31,879	558,697	(205,327)
Change in value of split interest agreements, net - temporarily restricted	1,121	317	1,438	5,703
Increase in reinvested gains - permanently restricted	17,261	-	17,261	4,612
Change in value of split interest agreements, net - permanently restricted	23,623	1,364	24,987	24,465
Adjusted for:				
Returns on split interest agreements paid to beneficiaries - temporarily restricted	11,031	-	11,031	9,507
Returns on split interest agreements paid to beneficiaries - permanently restricted	25,687	-	25,687	26,254
TOTAL INVESTMENT RETURNS	\$ 2,509,382	\$ 226,259	\$ 2,735,641	\$ 1,313,276

Investment returns are net of investment management expenses, including both external management fees and internal University investment-related salaries, benefits and operating expenses, and the portion of interest expense and amortization related to the April 2009 bond issuance held for liquidity purposes (see Note 10).

FUTURE MINIMUM RENTAL INCOME

As part of its investment portfolio, the University holds certain investment properties that it leases to third parties. Future minimum rental income due from the Stanford Shopping Center, the Stanford Research Park and other properties under non-cancelable leases in effect with tenants at August 31, 2013, in thousands of dollars, is as follows:

<u>YEAR ENDING AUGUST 31</u>	<u>FUTURE MINIMUM RENTAL INCOME</u>
2014	\$ 94,841
2015	91,415
2016	84,995
2017	78,957
2018	69,374
Thereafter	1,800,398
TOTAL	\$ 2,219,980

6. Investment Pools

The University's investments are held in various investment pools or in specific investments to comply with donor requirements as indicated in the following table, at August 31, 2013 and 2012, in thousands of dollars:

	2013	2012
UNIVERSITY		
Merged Pool	\$ 22,600,862	\$ 20,253,370
Expendable Funds Pool	3,181,451	3,004,565
Endowment Income Funds Pool	342,622	368,868
Other Investment Pools	86,525	394,407
Specific Investments	4,025,199	3,327,430
	<u>30,236,659</u>	<u>27,348,640</u>
Less:		
Amounts included in "cash and cash equivalents" in the <i>Statements of Financial Position</i>	(450,202)	(698,433)
Funds cross-invested in investment pools	(3,069,263)	(2,670,364)
Hospital funds invested in the University's investment pools	(2,013,787)	(1,733,143)
TOTAL	24,703,407	22,246,700
HOSPITALS		
Investments	2,271,068	1,898,984
TOTAL	2,271,068	1,898,984
CONSOLIDATED TOTAL	\$ 26,974,475	\$ 24,145,684

The MP is the primary investment pool in which endowment (see *Note 12*) and other long-term funds are invested. The MP is invested with the objective of optimizing long-term total return while maintaining an appropriate level of risk for the University. It is a unitized investment pool in which the fund holders purchase investments and withdraw funds based on a monthly share value.

The Expendable Funds Pool (EFP) and Endowment Income Funds Pool (EIFP) are the principal investment vehicles for the University's expendable funds. A substantial portion of the EFP is cross-invested in the MP; the remainder is included in "cash and cash equivalents" in the *Statements of Financial Position*. The EIFP holds income previously distributed to holders of permanently restricted endowment funds that has not yet been expended. The EIFP is invested in highly liquid instruments and is included in the *Statements of Financial Position* as "cash and cash equivalents".

The Board has established a policy for the distribution of the investment returns of the EFP. The difference between the actual return of this investment pool and the approved payout is deposited in, or withdrawn from, funds functioning as endowment (FFE) (see *Note 12*). For the years ended August 31, 2013 and 2012, the results of the EFP, in thousands of dollars, are as follows:

	2013	2012
Total investment return of the EFP	\$ 336,148	\$ 85,052
Less distributions to fund holders and operations	(60,927)	(95,483)
AMOUNTS ADDED TO (WITHDRAWN FROM) FFE	\$ 275,221	\$ (10,431)

7. Derivatives

The University utilizes various strategies to reduce investment and credit risks, to serve as a temporary surrogate for investment in stocks and bonds, to manage interest rate exposure on the University's debt, and/or to manage specific exposure to foreign currencies. Futures, options and other derivative instruments are used to adjust elements of investment exposures to various securities, sectors, markets and currencies without actually taking a position in the underlying asset or basket of assets. Interest rate swaps are used to manage interest rate risk. With respect to foreign currencies, the University utilizes forward contracts and foreign currency options to manage exchange rate risk.

Foreign currency forward contracts, interest rate swaps, securities lending, and repurchase agreements entail counterparty credit risk. The University seeks to control this risk by entering into transactions with quality counterparties, by establishing and monitoring credit limits and by requiring collateral in certain situations.

INVESTMENT-RELATED DERIVATIVES

The following table presents amounts for investment-related derivatives, including the notional amount, the fair values at August 31, 2013 and 2012, and gains and losses for the years ended August 31, 2013 and 2012, in thousands of dollars:

	AS OF AUGUST 31, 2013			YEAR ENDED AUGUST 31, 2013
	NOTIONAL AMOUNT ¹	GROSS DERIVATIVE ASSETS ²	GROSS DERIVATIVE LIABILITIES ²	REALIZED AND UNREALIZED GAINS (LOSSES) ³
Interest-rate contracts	\$ 1,644,761	\$ 9,394	\$ 8,950	\$ 3,164
Foreign exchange contracts	371,433	4,546	3,483	26,521
Equity contracts	283,100	4,677	-	40,652
Credit contracts	149,454	637	879	(2,820)
TOTAL	\$ 2,448,748	\$ 19,254	\$ 13,312	\$ 67,517

	AS OF AUGUST 31, 2012			YEAR ENDED AUGUST 31, 2012
	NOTIONAL AMOUNT ¹	GROSS DERIVATIVE ASSETS ²	GROSS DERIVATIVE LIABILITIES ²	REALIZED AND UNREALIZED GAINS (LOSSES) ³
Interest-rate contracts	\$ 1,149,827	\$ 240	\$ 10,059	\$ (669)
Foreign exchange contracts	271,698	261	10,122	9,230
Equity contracts	112,677	4,799	20	(14,329)
Credit contracts	191,996	2,507	605	(6,860)
TOTAL	\$ 1,726,198	\$ 7,807	\$ 20,806	\$ (12,628)

¹ The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2013 and 2012.

² Gross derivative assets less gross derivative liabilities are presented as "derivatives" on the investment table in Note 5.

³ Gains (losses) on derivatives are included in the Statements of Activities as "increase in reinvested gains" in "non-operating activities".

Credit Default Swaps

The University's derivative activities include both the purchase and sale of CDS which are included in credit contracts in the previous table. CDS are contracts under which counterparties are provided protection against the risk of default on a set of debt obligations issued by specific companies (or group of companies combined in an index). The buyer of the CDS will make payment to the seller and in return receive payment if the underlying instrument goes into default or is triggered by some other credit event. The University's CDS transactions include both single name entities as well as index CDS. Under the index CDS, the credit events that would trigger settlement of the CDS and require the University to remit payment are generally bankruptcy and failure to pay.

The tables below summarize certain information regarding protection sold through CDS at August 31, 2013 and 2012, in thousands of dollars:

CREDIT RATINGS OF THE REFERENCE OBLIGATION ²	MAXIMUM POTENTIAL PAYOUT (NOTIONAL AMOUNT ¹) / YEARS TO MATURITY			FAIR VALUE ASSET/ (LIABILITY)
	LESS THAN 3	OVER 3	TOTAL	
2013				
Single name credit default swaps:				
A- to AA+	\$ 7,900	\$ 1,500	\$ 9,400	\$ 188
BBB- to BBB+	300	5,512	5,812	(431)
Total single name credit default swaps	8,200	7,012	15,212	(243)
Index credit default swaps ³	-	500	500	(2)
TOTAL CREDIT DEFAULT SWAPS SOLD	\$ 8,200	\$ 7,512	\$ 15,712	\$ (245)
2012				
Single name credit default swaps:				
A- to AA+	\$ 8,787	\$ 13,800	\$ 22,587	\$ 203
BBB- to BBB+	2,100	2,575	4,675	(257)
Total single name credit default swaps	10,887	16,375	27,262	(54)
Index credit default swaps ³	-	500	500	(11)
TOTAL CREDIT DEFAULT SWAPS SOLD	\$ 10,887	\$ 16,875	\$ 27,762	\$ (65)

¹ The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2013 and 2012.

² The credit rating is according to Standard & Poor's and represents the current performance risk of the swap.

³ Index credit default swaps are linked to a basket of credit derivatives that include entities that have a Standard & Poor's rating of BBB- or higher.

DEBT-RELATED DERIVATIVES

The University and SHC use interest rate exchange agreements to manage the interest rate exposure of their debt portfolios. Under the terms of the current agreements, the entities pay a fixed interest rate, determined at inception, and receive a variable rate on the underlying notional principal amount. Generally, the exchange agreements require mutual posting of collateral by the University and SHC and the counterparties if the termination values exceed a predetermined threshold dollar amount.

At August 31, 2013, the University had interest rate exchange agreements related to \$97.0 million of the outstanding balance of the CEFA Series S bonds in variable rate mode (see *Note 10*). The agreements, which have an interest rate of 3.68%, expire November 1, 2039. The notional amount and the fair value of the exchange agreements are included in the table below. Collateral posted with various counterparties was \$11.0 million and \$37.5 million at August 31, 2013 and 2012, respectively, and is included in the *Statements of Financial Position*. In addition, the University issued an irrevocable standby letter of credit of \$15.0 million to support collateral requirements at August 31, 2013 and 2012 (see *Note 10*). In December 2012, the University terminated certain interest rate exchange agreements and recognized a loss of \$13.0 million in "non-operating activities" in the *Statements of Activities* for the year ended August 31, 2013.

At August 31, 2013, SHC had interest rate exchange agreements expiring through November 2051 (see *Note 11*). The agreements require SHC to pay fixed interest rates to the counterparties varying from 3.37% to 4.08% in exchange for variable rate payments from the counterparties based on a percentage of the One Month London Interbank Offered Rate (LIBOR). The notional amount and the fair value of the exchange agreements are included in the table below. There was no collateral required to be posted with counterparties at August 31, 2013. The amount of collateral required to be posted with counterparties was \$27.5 million at August 31, 2012 and was met by the posting of a standby letter of credit in the aggregate amount of \$30.0 million at August 31, 2012, which may only be drawn upon in the event of a default by SHC. This standby letter of credit was terminated in February 2013. In July 2012, SHC terminated certain interest rate exchange agreements and recognized a loss of \$1.3 million in "non-operating activities" in the *Statements of Activities* for the year ended August 31, 2012.

The following table presents amounts for debt-related derivatives including the notional amount, the fair values at August 31, 2013 and 2012, and gains and losses for the years ended August 31, 2013 and 2012, in thousands of dollars:

	AS OF AUGUST 31, 2013		YEAR ENDED AUGUST 31, 2013	AS OF AUGUST 31, 2012		YEAR ENDED AUGUST 31, 2012
	NOTIONAL AMOUNT ¹	GROSS DERIVATIVE LIABILITIES ²	REALIZED AND UNREALIZED GAINS ³	NOTIONAL AMOUNT ¹	GROSS DERIVATIVE LIABILITIES ²	REALIZED AND UNREALIZED LOSSES ³
Debt-related interest-rate contracts:						
University	\$ 97,000	\$ 21,840	\$ 34,407	\$ 130,000	\$ 56,247	\$ (17,279)
Hospitals	746,100	133,255	102,928	747,150	236,183	(69,805)
TOTAL	\$ 843,100	\$ 155,095	\$ 137,335	\$ 877,150	\$ 292,430	\$ (87,084)

¹ The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2013 and 2012.

² Fair value is measured using Level 2 inputs as defined in Note 5. Amounts are included in the *Statements of Financial Position* in "accounts payable and accrued expenses" and discussed more fully in Notes 10 and 11.

³ Gains (losses) on derivatives are included in the *Statements of Activities* as "swap interest and change in value of swap agreements" in "non-operating activities".

8. Plant Facilities

Plant facilities, net of accumulated depreciation, at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
Land and improvements	\$ 507,743	\$ 94,479	\$ 602,222	\$ 592,408
Buildings and building improvements	4,640,680	1,284,771	5,925,451	5,555,633
Furniture, fixtures and equipment	1,490,315	934,043	2,424,358	2,285,254
Utilities	382,102	-	382,102	308,393
Construction in progress	550,314	772,911	1,323,225	859,301
	7,571,154	3,086,204	10,657,358	9,600,989
Less accumulated depreciation	(3,363,227)	(1,299,515)	(4,662,742)	(4,280,544)
PLANT FACILITIES, NET OF ACCUMULATED DEPRECIATION	\$ 4,207,927	\$ 1,786,689	\$ 5,994,616	\$ 5,320,445

At August 31, 2013, \$1.3 billion and \$748.3 million of fully depreciated plant facilities were still in use by the University and the Hospitals, respectively, and were included in plant facilities and accumulated depreciation.

9. Liabilities Under Security Lending Agreements

The University receives short-term U.S. government obligations or cash and cash equivalents as collateral deposits for certain securities loaned temporarily to brokers. It is the University's policy to require receipt of collateral on securities lending contracts and repurchase agreements equal to a minimum of 102% of the fair market value of the security loaned. In addition, the University is party to certain forward sale and purchase agreements. At August 31, 2013 and 2012, these amounts, in thousands of dollars, are as follows:

	2013	2012
Collateral deposits for certain securities loaned temporarily to brokers ^{1,2}	\$ 57,810	\$ 106,581
Forward sale and purchase agreements ¹	26,238	34,618
LIABILITIES UNDER SECURITY LENDING AGREEMENTS	\$ 84,048	\$ 141,199

¹ The corresponding investments are included as "investments" in the Statements of Financial Position (see Note 5).

² The estimated fair value of securities loaned to brokers at August 31, 2013 and 2012 was \$55.4 million and \$97.8 million, respectively.

10. University Notes and Bonds Payable

Notes and bonds payable for the University at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	YEAR OF MATURITY	INTEREST RATE * 2013/2012	OUTSTANDING PRINCIPAL	
			2013	2012
Tax-exempt:				
CEFA Fixed Rate Revenue Bonds:				
Series P	2013	5.25%	\$ -	\$ 51,260
Series S	2039	5.00%	30,210	-
Series T	2014-2039	4.00% - 5.00%	361,310	361,310
Series U	2032-2043	5.00% - 5.25%	593,760	293,135
CEFA Variable Rate Revenue Bonds and Notes:				
Series L	2014-2022	0.06%/0.13%	83,818	83,818
Series S	2039-2050	0.17%-0.20%/0.19%-0.22%	141,200	181,200
Commercial Paper	2013	0.08%/0.16%	72,070	92,682
Taxable:				
Fixed Rate Notes and Bonds:				
Stanford University Bonds	2024	6.88%	150,000	150,000
Medium Term Note	2026	7.65%	50,000	50,000
Stanford University Series 2009A	2014-2019	3.63% - 4.75%	1,000,000	1,000,000
Stanford University Series 2012A	2042	4.01%	143,235	143,235
Stanford University Series 2013A	2044	3.56%	150,115	-
Other	2013-2015	Various	68,347	68,291
Variable Rate Notes:				
Commercial Paper	2013	0.13%/0.21%	70,656	157,000
University notes and bonds payable			2,914,721	2,631,931
Unamortized original issue premiums/discounts, net			183,712	76,775
TOTAL			\$ 3,098,433	\$ 2,708,706

*Exclusive of interest rate exchange agreements (see Note 7).

At August 31, 2013 and 2012, the fair value of these debt instruments was approximately \$3.1 billion. All bonds held at August 31, 2013 and 2012 are considered to be Level 2 fair value measurements.

The University borrows at tax-exempt rates through the California Educational Facilities Authority (CEFA). CEFA debt is a general unsecured obligation of the University. Although CEFA is the issuer, the University is responsible for the repayment of the tax-exempt debt. The University's long-term ratings of AAA/Aaa/AAA were affirmed in April 2013 by Standard and Poor's, Moody's Investors Service and Fitch Ratings, respectively.

In May 2013, CEFA Series U-3 bonds were issued in the amount of \$261.4 million plus an original issue premium of \$90.4 million. The bonds bear interest at a rate of 5.00% and mature on June 1, 2043. Proceeds were used to (1) refinance commercial paper notes; (2) finance facilities and infrastructure; and (3) pay bond issuance costs.

In May 2013, CEFA Series U-4 bonds were issued in the amount of \$39.2 million plus an original issue premium of \$13.6 million. The bonds bear interest at a rate of 5.00% and mature on June 1, 2043. Proceeds were used to (1) legally defease \$51.3 million of CEFA Series P bonds; and (2) pay bond issuance costs.

In May 2013, CEFA Series S-2 bonds of \$40.0M were converted from a commercial paper rate mode to a fixed rate bond issued in the amount of \$30.2 million plus an original issue premium of \$9.8 million. The bonds bear interest at a rate of 5.00% and mature on November 1, 2039.

In May 2013, the University issued taxable fixed rate Series 2013 bonds in the amount of \$150.1 million. The bonds bear interest at a rate of 3.563% and mature on June 1, 2044. Proceeds were used to (1) refinance commercial paper notes; (2) finance facilities and infrastructure; and (3) pay bond issuance costs.

In April 2012, CEFA Series U-2 bonds were issued in the amount of \$77.8 million plus an original issue premium of \$21.4 million. The bonds bear interest at a rate of 5.00% and mature on October 1, 2032. Proceeds were used to (1) refinance commercial paper notes which were issued to redeem CEFA Series Q bonds in February 2012; and (2) pay bond issuance costs.

In April 2012, the University issued taxable fixed rate Series 2012A bonds in the amount of \$143.2 million. The bonds bear interest at a rate of 4.01% and mature on May 1, 2042. Proceeds were used to (1) refinance commercial paper notes which were issued to redeem CEFA Series O bonds in December 2011; (2) refinance the outstanding CEFA Series R bonds which were redeemed in November 2011; and (3) pay bond issuance costs.

In December 2010, the University entered into a \$50.0 million line of credit agreement to issue irrevocable standby letters of credit to support various collateral posting obligations. At August 31, 2013, irrevocable standby letters of credit of \$32.5 million were outstanding in the following amounts and for the following respective purposes: (1) \$15.0 million to support collateral requirements under certain interest rate exchange agreements discussed in *Note 7*; and (2) \$17.5 million to serve as security for workers' compensation deductible insurance arrangements. No amounts have been drawn on these letters of credit at August 31, 2013.

Stanford holds controlling interests in several investment entities which were consolidated in the financial statements in fiscal years 2013 and 2012. At August 31, 2013 and 2012, taxable debt included \$67.8 million and \$66.2 million, respectively, of debt where Stanford is ultimately liable for principal should the investees default.

The University's taxable and tax-exempt commercial paper facilities and related information at August 31, 2013 and 2012, in thousands of dollars, are as follows:

COMMERCIAL PAPER	POTENTIAL BORROWINGS	OUTSTANDING BALANCE AT AUGUST 31	WEIGHTED AVERAGE DAYS TO MATURITY	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
2013				
Taxable	\$ 500,000	\$ 70,656	93.1	0.22%
Tax-exempt	\$ 300,000	\$ 72,070	65.0	0.13%
2012				
Taxable	\$ 500,000	\$ 157,000	44.1	0.21%
Tax-exempt	\$ 300,000	\$ 92,682	35.9	0.16%

The University had \$225.0 million of revenue bonds in variable rate mode outstanding in addition to commercial paper notes at August 31, 2013. CEFA Series L bonds bear interest at a weekly rate and CEFA Series S bonds bear interest at a commercial paper municipal rate and are outstanding for various interest periods of 270 days or less. In the event the University receives notice of any optional tender of these bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will have a current obligation to purchase the bonds tendered. The University has identified several sources of funding including cash, money market funds, U.S. treasury securities and agencies' discount notes to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

The University's interest expense, which includes amortized bond issuance costs and amortized bond premium or discount, in thousands of dollars, is as follows:

	2013	2012
Interest expense, gross	\$ 101,016	\$ 96,190
Less:		
Interest income earned on unspent proceeds	(253)	(433)
Interest capitalized as a cost of construction	(3,845)	(1,071)
Interest expense on Series 2009A bonds which is classified as an investment expense	(24,649)	(22,907)
Interest expense, net	\$ 72,269	\$ 71,779

The University uses interest rate exchange agreements to manage the interest rate exposure of its debt portfolio. Net payments on interest rate exchange agreements, which are included in "swap interest and change in value of swap agreements" in the *Statements of Activities*, were \$16.7 million and \$4.3 million for the years ended August 31, 2013 and 2012, respectively, including the loss on the termination of certain interest rate exchange agreements in 2013 (see *Note 7*).

At August 31, 2013, scheduled principal payments on notes and bonds, in thousands of dollars, are as follows:

YEAR ENDING AUGUST 31	PRINCIPAL PAYMENTS
2014 Commercial paper	\$ 142,726
2014 Variable debt subject to remarketing	225,018
2014 Other	524,672
2015	55
2016	315,550
2017	-
2018	-
Thereafter	1,706,700
TOTAL	\$ 2,914,721

11. Hospitals Notes and Bonds Payable

Notes, bonds and capital lease obligations for the Hospitals at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	YEAR OF MATURITY	INTEREST RATE* 2013/2012	OUTSTANDING PRINCIPAL	
			2013	2012
SHC:				
CHFFA Fixed Rate Revenue Bonds:				
2008 Series A-1	2040	2.25%-5.15%	\$ 69,485	\$ 69,760
2008 Series A-2	2040	1.00%-5.25%	102,775	103,200
2008 Series A-3	2040	1.00%-5.50%	83,065	83,415
2010 Series A	2031	4.00%-5.75%	140,200	144,860
2010 Series B	2036	4.50%-5.75%	146,710	146,710
2012 Series A	2051	5.00%	340,000	340,000
2012 Series B	2023	2.00%-5.00%	63,555	68,320
Promissory Note	2014	7.03%	174	363
CHFFA Variable Rate Revenue Bonds:				
2008 Series B	2045	0.11%/0.17%	168,200	168,200
2012 Series C	2051	0.14%/0.25%	60,000	60,000
2012 Series D	2051	0.74%/0.78%	100,000	100,000
LPCH:				
CHFFA Fixed Rate Revenue Bonds:				
2008 Series A	2027-2033	1.45%	30,340	30,340
2008 Series B	2027-2033	1.45%	30,340	30,340
2008 Series C	2015-2023	1.45%	32,770	32,770
2012 Series A	2044-2051	5.00%	200,000	200,000
CHFFA Variable Rate Revenue Bonds:				
2012 Series B	2014-2027	3.00%/3.00%	49,015	51,045
Hospitals notes, bonds and capital lease obligations			1,616,629	1,629,323
Unamortized original issue premiums/discounts, net			67,416	71,104
TOTAL			\$ 1,684,045	\$ 1,700,427

*Exclusive of interest rate exchange agreements (see Note 7).

At August 31, 2013 and 2012, the fair value of these debt instruments was approximately \$1.6 billion and \$1.8 billion, respectively. All bonds held at August 31, 2013 and 2012 are considered to be Level 2 fair value measurements.

The Hospitals borrow at tax-exempt rates through the California Health Facilities Financing Authority (CHFFA). CHFFA debt is a general obligation of the Hospitals. Payments of principal and interest on the Hospitals' bonds are collateralized by a pledge of the revenues of the respective hospitals. Although CHFFA is the issuer, the Hospitals are responsible for the repayment of the tax-exempt debt. The University is not an obligor or guarantor with respect to any obligations of SHC or LPCH, nor are SHC or LPCH obligors or guarantors with respect to obligations of the University.

SHC and LPCH are each party to separate master trust indentures that include, among other requirements, limitations on the incurrence of additional indebtedness, liens on property, restrictions on disposition or transfer of assets and compliance with certain financial ratios. Subject to applicable no-call provisions, the Hospitals may cause the redemption of the bonds, in whole or in part, prior to the stated maturities.

SHC

In May 2012, CHFFA, on behalf of SHC, issued four series of revenue bonds in the aggregate principal amount of \$568.3 million. The bonds were comprised of \$340.0 million of 2012 Series A bonds, \$68.3

million of 2012 Series B bonds, \$60.0 million of 2012 Series C bonds and \$100.0 million of 2012 Series D bonds. Proceeds of the 2012 Series A, C and D bonds will be used to finance a portion of the Renewal Project (see Note 20). Proceeds of the 2012 Series B bonds were used to advance refund the 2003 Series A bonds. As a result of the refunding, the unamortized bond issuance costs and original issue premium of \$2.5 million related to the 2003 Series A bonds were included in "non-operating activities" in the *Statements of Activities* for the year ended August 31, 2012.

At August 31, 2013, SHC has \$328.2 million revenue bonds in variable rate mode outstanding. The 2008 Series B-1 bonds bear interest at a weekly rate, and bondholders have the option to tender their bonds on a weekly basis. The 2008 Series B-2 bonds bear interest at the commercial paper rate for each commercial paper period of 270 days or less. Bondholders in commercial paper mode have the option to tender their bonds only at the end of the commercial paper rate period.

The 2012 Series C bonds are in a Windows weekly floating index mode and cannot be tendered for 180 days after a 30 day notice and remarketing period. The 2012 Series D bonds are also in a floating index mode with monthly interest rate resets and were directly placed with U.S. Bank. The 2012 Series D bonds are not subject to remarketing or tender until May 23, 2019.

In the event SHC receives notice of any optional tender of the 2008 Series B-1 bonds or the 2012 Series C bonds, or if any bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, SHC will have a current obligation to purchase the bonds tendered. SHC maintains sufficient liquidity to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

At August 31, 2013, SHC has irrevocable standby letters of credit in the aggregate amount of \$26.7 million posted with certain beneficiaries in the following amounts and for the following respective purposes: (i) \$16.7 million to serve as security for the workers' compensation self-insurance arrangement and (ii) \$10.0 million to serve as security deposits for certain construction projects being undertaken by SHC including the Renewal Project. No amounts have been drawn on these letters of credit at August 31, 2013 and 2012.

LPCH

In March 2012, CHFFA, on behalf of LPCH, issued 2012 Series A bonds and 2012 Series B bonds in the aggregate principal amount of \$251.0 million. Proceeds of the 2012 Series A bonds will be used to finance a portion of the Renewal Project and to pay bond issuance costs. Proceeds of the 2012 Series B bonds were used to advance refund the 2003 Series C bonds and to pay bond issuance costs. As a result of the refunding, the unamortized bond issuance costs and original issue premium of \$3.7 million related to the 2003 Series C bonds were included in "non-operating activities" in the *Statements of Activities* for the year ended August 31, 2012.

In March 2012, LPCH converted the 2008 Series A, B and C revenue bonds in the aggregate principal amount of \$93.4 million from weekly variable rate mode to five-year fixed rate put bonds.

At August 31, 2013, LPCH has irrevocable standby letters of credit in the aggregate amount of \$13.8 million posted with certain beneficiaries in the following amounts and for the following respective purposes: (i) \$7.2 million to serve as security for the workers' compensation self-insurance arrangement and (ii) \$6.6 million to serve as security deposits for certain construction projects being undertaken by LPCH including the Renewal Project. No amounts have been drawn on these letters of credit at August 31, 2013 and 2012.

INTEREST

The Hospitals' interest expense, which includes settlements under the interest rate exchange agreements, amortized bond issuance costs and amortized bond premium or discount, in thousands of dollars, is as follows:

	2013	2012
Interest expense, gross, excluding settlements under the interest rate exchange agreements	\$ 59,614	\$ 42,435
Settlements under the interest rate exchange agreements	19,674	19,926
Less:		
Interest capitalized as a cost of construction	(19,074)	(7,246)
Interest expense, net	\$ 60,214	\$ 55,115

PRINCIPAL PAYMENTS

At August 31, 2013, scheduled principal payments on notes, bonds and capital lease obligations, in thousands of dollars, are as follows:

YEAR ENDING AUGUST 31	PRINCIPAL PAYMENTS
2014 Variable debt subject to remarketing	\$ 228,200
2014 Other	14,854
2015	17,075
2016	18,930
2017	19,065
2018	19,395
Thereafter	1,299,110
TOTAL	\$ 1,616,629

12. University Endowment

The University classifies a substantial portion of its financial resources as endowment, which is invested to generate income to support operating and strategic initiatives. The endowment is comprised of pure endowment funds (which include endowed lands), term endowment funds, and funds functioning as endowment (FFE). Depending on the nature of the donor's stipulation, these resources are recorded as permanently restricted, temporarily restricted or unrestricted net assets. Term endowments are similar to other endowment funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. These resources are classified as temporarily restricted net assets. FFE are University resources designated by the Board as endowment and are invested for long-term appreciation and current income. These assets, however, remain available and may be spent at the Board's discretion. Accordingly, FFE are recorded as unrestricted net assets.

The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are authorized for expenditure. In the absence of donor stipulations or law to the contrary, net unrealized losses on permanently restricted endowment funds first reduce related appreciation on temporarily restricted net assets and then on unrestricted net assets, as needed, until the fair value of the fund equals or exceeds historic value. The aggregate amount by which fair value was below historic value was \$20.3 million and \$37.5 million at August 31, 2013 and 2012, respectively.

Endowment funds by net asset classification at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
2013				
Donor-restricted endowment funds	\$ (20,278)	\$ 5,528,171	\$ 5,174,848	\$ 10,682,741
Funds functioning as endowment	8,006,127	-	-	8,006,127
TOTAL ENDOWMENT FUNDS	\$ 7,985,849	\$ 5,528,171	\$ 5,174,848	\$ 18,688,868
2012				
Donor-restricted endowment funds	\$ (37,537)	\$ 5,016,796	\$ 4,951,569	\$ 9,930,828
Funds functioning as endowment	7,104,976	-	-	7,104,976
TOTAL ENDOWMENT FUNDS	\$ 7,067,439	\$ 5,016,796	\$ 4,951,569	\$ 17,035,804

Most of the University's endowment is invested in the MP. The return objective for the MP is to generate optimal long-term total return while maintaining an appropriate level of risk for the University. Investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Portfolio asset allocation targets as well as expected risk, return and correlation among the asset classes are reevaluated annually by Stanford Management Company.

Through the combination of investment strategy and payout policy, the University is striving to provide a reasonably consistent payout from endowment to support operations, while preserving the purchasing power of the endowment adjusted for inflation.

The Board approves the amounts to be paid out annually from endowment funds invested in the MP. Consistent with the Uniform Prudent Management of Institutional Funds Act, when determining the appropriate payout the Board considers the purposes of the University and the endowment, the duration and preservation of the endowment, general economic conditions, the possible effect of inflation or deflation, the expected return from income and the appreciation of investments, other resources of the University, and the University's investment policy.

The current Board approved targeted spending rate is 5.5%. The sources of payout are earned income on endowment assets (interest, dividends, rents and royalties), realized capital gains and FFE, as needed and as available.

Changes in the University's endowment, excluding pledges, for the years ended August 31, 2013 and 2012, in thousands of dollars, are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
2013				
Endowment, beginning of year	\$ 7,067,439	\$ 5,016,796	\$ 4,951,569	\$ 17,035,804
Investment returns:				
Earned income	232,016	-	-	232,016
Unrealized and realized gains	729,859	1,006,324	17,099	1,753,282
Total investment returns	961,875	1,006,324	17,099	1,985,298
Amounts distributed for operations	(413,429)	(507,243)	-	(920,672)
Gifts, transfers and other changes in endowment:				
Current year gifts and pledge payments	2,902	2,441	165,232	170,575
Transfers of prior year gifts	3,732	354	28,002	32,088
EFP funds invested in the endowment	275,221	-	-	275,221
Other funds invested in the endowment, net	88,109	9,499	12,946	110,554
Total gifts, transfers and other changes in endowment	369,964	12,294	206,180	588,438
Total net increase in endowment	918,410	511,375	223,279	1,653,064
ENDOWMENT, END OF YEAR	\$ 7,985,849	\$ 5,528,171	\$ 5,174,848	\$ 18,688,868
2012				
Endowment, beginning of year	\$ 6,641,749	\$ 5,215,842	\$ 4,645,015	\$ 16,502,606
Investment returns:				
Earned income	208,731	-	-	208,731
Unrealized and realized gains	507,530	280,109	4,076	791,715
Total investment returns	716,261	280,109	4,076	1,000,446
Amounts distributed for operations	(390,375)	(480,731)	-	(871,106)
Gifts, transfers and other changes in endowment:				
Current year gifts and pledge payments	3,390	26,490	234,530	264,410
Transfers of prior year gifts	50,255	95	18,030	68,380
EFP funds withdrawn from the endowment	(10,431)	-	-	(10,431)
Other funds invested in (withdrawn from) the endowment, net	56,590	(25,009)	49,918	81,499
Total gifts, transfers and other changes in endowment	99,804	1,576	302,478	403,858
Total net increase (decrease) in endowment	425,690	(199,046)	306,554	533,198
ENDOWMENT, END OF YEAR	\$ 7,067,439	\$ 5,016,796	\$ 4,951,569	\$ 17,035,804

13. Hospitals Endowments

The endowments of SHC and LPCH are intended to generate investment income to support their current operating and strategic initiatives. The following table summarizes each hospital's share of the Hospitals endowments at August 31, 2013 and 2012, in thousands of dollars:

	2013	2012
LPCH	\$ 280,799	\$ 266,393
SHC	16,133	14,822
TOTAL ENDOWMENT FUNDS	\$ 296,932	\$ 281,215

The Hospitals invest the majority of their endowments in the University's MP. Their endowments are subject to the same investment and spending strategies that the University employs as described in *Note 12*. The Hospitals' Boards of Directors have approved payout policies which provide for annual amounts to be distributed for current use. "Amounts distributed for operations" in the table below represents the Hospitals' current year endowment payout spent for designated purposes during fiscal years 2013 and 2012.

The Hospitals classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are authorized for expenditure. In the absence of donor stipulations or law to the contrary, net unrealized losses on permanently restricted endowment funds first reduce related appreciation on temporarily restricted net assets and then on unrestricted net assets, as needed, until the fair value of the fund equals or exceeds historic value. The aggregate amount by which fair value was below historic value was approximately \$12 thousand and \$216 thousand at August 31, 2013 and 2012, respectively.

Changes in Hospitals endowments, for the years ended August 31, 2013 and 2012, in thousands of dollars, are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
2013				
Endowments, beginning of year	\$ (216)	\$ 74,081	\$ 207,350	\$ 281,215
Investment returns:				
Earned income	-	14,694	-	14,694
Unrealized and realized gains	204	14,812	1,364	16,380
Total investment returns	204	29,506	1,364	31,074
Amounts distributed for operations	-	(13,631)	-	(13,631)
Gifts and pledge payments	-	-	1,185	1,185
Other	-	(1,344)	(1,567)	(2,911)
Total net increase in endowments	204	14,531	982	15,717
ENDOWMENTS, END OF YEAR	\$ (12)	\$ 88,612	\$ 208,332	\$ 296,932
2012				
Endowments, beginning of year	\$ (277)	\$ 78,808	\$ 205,350	\$ 283,881
Investment returns:				
Earned income	-	13,786	-	13,786
Unrealized and realized gains (losses)	61	(5,728)	481	(5,186)
Total investment returns	61	8,058	481	8,600
Amounts distributed for operations	-	(12,319)	-	(12,319)
Gifts and pledge payments	-	45	777	822
Other	-	(511)	742	231
Total net increase (decrease) in endowments	61	(4,727)	2,000	(2,666)
ENDOWMENTS, END OF YEAR	\$ (216)	\$ 74,081	\$ 207,350	\$ 281,215

All of the Hospitals endowments are classified as donor-restricted.

14. University Gifts and Pledges

The University's Office of Development (OOD) reports total gifts based on contributions received in cash or property during the fiscal year. Gifts and pledges reported for financial statement purposes are recorded on the accrual basis. The following summarizes gifts and pledges reported for the years ended August 31, 2013 and 2012, per the *Statements of Activities* reconciled to the cash basis reported by OOD, in thousands of dollars:

	2013	2012
Current year gifts in support of operations	\$ 180,071	\$ 178,214
Donor advised funds, net	1,930	38,998
Current year gifts not included in operations	2,902	253,390
Temporarily restricted gifts and pledges, net	345,526	229,441
Permanently restricted gifts and pledges, net	164,102	227,079
TOTAL PER STATEMENTS OF ACTIVITIES	694,531	927,122
Adjustments to arrive at gift total as reported by OOD:		
New pledges	(247,611)	(265,141)
Payments made on pledges	282,948	259,402
Pledge discounts and other adjustments	27,225	29,560
Donor advised funds not designated for Stanford	10,669	(35,811)
Non-cash gifts	2,962	4,982
Non-government grants, recorded as sponsored research support when earned	85,098	79,243
SHC gifts	73,673	33,357
Other	2,072	2,135
TOTAL AS REPORTED BY OOD	\$ 931,567	\$ 1,034,849

15. Functional Expenses

Expenses for each of the years ended August 31, 2013 and 2012 are categorized on a functional basis as follows, in thousands of dollars:

	2013			2012
	UNIVERSITY	HOSPITALS	CONSOLIDATED	CONSOLIDATED
Instruction and departmental research	\$ 1,400,573	\$ -	\$ 1,400,573	\$ 1,248,489
Organized research - direct costs	1,040,952	-	1,040,952	1,021,531
Patient services	-	2,593,116	2,593,116	2,289,310
Auxiliary activities	790,917	-	790,917	756,216
Administration and general	325,666	212,364	538,030	550,929
Libraries	148,334	-	148,334	143,833
Student services	167,551	-	167,551	154,084
Development	75,329	15,415	90,744	92,961
SLAC construction	23,527	-	23,527	40,793
TOTAL EXPENSES	\$ 3,972,849	\$ 2,820,895	\$ 6,793,744	\$ 6,298,146

Depreciation, interest, operations and maintenance expenses are allocated to program and supporting activities, except for SLAC construction. Auxiliary activities include housing and dining services, intercollegiate athletics, Stanford Alumni Association, other activities and patient care provided by the SoM faculty.

16. University Retirement Plans

The University provides retirement benefits through both contributory and noncontributory retirement plans for substantially all of its employees.

DEFINED CONTRIBUTION PLAN

The University offers a defined contribution plan to eligible faculty and staff through the *Stanford Contributory Retirement Plan (SCR)*. University and participant contributions are primarily invested in annuities and mutual funds. University contributions under the SCR, which are vested immediately to participants, were approximately \$117.6 million and \$110.7 million for the years ended August 31, 2013 and 2012, respectively.

DEFINED BENEFIT PLANS

The University provides retirement and postretirement medical and other benefits through three defined benefit plans: the *Staff Retirement Annuity Plan*, the *Faculty Retirement Incentive Program*, and the *Postretirement Benefit Plan* (the "Plans"). The obligations for the Plans, net of plan assets, are recorded in the *Statements of Financial Position* as "accrued pension and post retirement benefit cost". These are described more fully below.

Staff Retirement Annuity Plan

Retirement benefits for certain employees are provided through the *Staff Retirement Annuity Plan (SRAP)*, a noncontributory plan. While the SRAP is closed to new participants, certain employees continue to accrue benefits. The University's policy is to fund pension costs in accordance with the Employee Retirement Income Security Act (ERISA)'s requirements.

Faculty Retirement Incentive Program

The University also provides a retirement incentive bonus for eligible faculty through the University *Faculty Retirement Incentive Program (FRIP)*. The University's faculty may become eligible for the FRIP program if they commit to retire within a designated window of time. At August 31, 2013 and 2012, there were no program assets. The University funds benefit payouts as they are incurred.

Postretirement Benefit Plan

The University also provides certain health care benefits for retired employees through its *Postretirement Benefit Plan (PRBP)*. The University's employees and their covered dependents may become eligible for the PRBP upon the employee's retirement. Retiree health plans are paid for, in part, by retiree contributions, which are adjusted annually. Health benefits provided and the gross premiums charged (before University subsidies) to retirees under age 65 are the same as those provided to active employees. The University subsidy varies depending on whether the retiree is covered under the traditional design or the defined dollar benefit design. Medicare supplement options are provided for retirees over age 65.

The change in the Plans' assets, the related change in benefit obligations and the amounts recognized in the financial statements, in thousands of dollars, are as follows:

	STAFF RETIREMENT ANNUITY PLAN (SRAP)	FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)	POST RETIREMENT BENEFIT PLAN (PRBP)	TOTAL
2013				
Change in plan assets:				
Fair value of plan assets, beginning of year	\$ 290,257	\$ -	\$ 149,798	\$ 440,055
Actual return on plan assets	5,082	-	18,216	23,298
Employer contributions	4,720	3,995	18,323	27,038
Plan participants' contributions	-	-	7,298	7,298
Benefits and plan expenses paid	(23,523)	(3,995)	(23,098) *	(50,616)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	276,536	-	170,537	447,073
Change in projected benefit obligation:				
Benefit obligation, beginning of year	349,126	179,669	560,578	1,089,373
Service cost	3,831	11,734	18,349	33,914
Interest cost	11,256	5,867	20,861	37,984
Plan participants' contributions	-	-	7,298	7,298
Actuarial gain	(30,266)	(17,717)	(79,973)	(127,956)
Benefits and plan expenses paid	(23,523)	(3,995)	(23,098) *	(50,616)
BENEFIT OBLIGATION, END OF YEAR	310,424	175,558	504,015	989,997
NET LIABILITY RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION	\$ (33,888)	\$ (175,558)	\$ (333,478)	\$(542,924)

* Net of Medicare subsidy

2012

Change in plan assets:				
Fair value of plan assets, beginning of year	\$ 258,896	\$ -	\$ 128,991	\$ 387,887
Actual return on plan assets	43,856	-	10,251	54,107
Employer contributions	10,211	3,256	26,005	39,472
Plan participants' contributions	-	-	6,854	6,854
Benefits and plan expenses paid	(22,706)	(3,256)	(22,303) *	(48,265)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	290,257	-	149,798	440,055
Change in projected benefit obligation:				
Benefit obligation, beginning of year	293,397	145,543	470,454	909,394
Service cost	3,298	9,419	13,221	25,938
Interest cost	13,110	6,812	24,388	44,310
Plan participants' contributions	-	-	6,854	6,854
Actuarial loss	62,027	21,151	67,964	151,142
Benefits and plan expenses paid	(22,706)	(3,256)	(22,303) *	(48,265)
BENEFIT OBLIGATION, END OF YEAR	349,126	179,669	560,578	1,089,373
NET LIABILITY RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION	\$ (58,869)	\$ (179,669)	\$ (410,780)	\$(649,318)

* Net of Medicare subsidy

The accumulated benefit obligation for the SRAP was \$307.8 million and \$345.0 million at August 31, 2013 and 2012, respectively.

Net periodic benefit expense and non-operating activities related to the Plans for the years ended August 31, 2013 and 2012, in thousands of dollars, includes the following components:

	STAFF RETIREMENT ANNUITY PLAN (SRAP)	FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)	POST RETIREMENT BENEFIT PLAN (PRBP)	TOTAL
2013				
Service cost	\$ 3,831	\$ 11,734	\$ 18,349	\$ 33,914
Interest cost	11,256	5,867	20,861	37,984
Expected return on plan assets	(19,478)	-	(10,530)	(30,008)
Amortization of:				
Prior service cost	540	-	2,569	3,109
Actuarial loss	2,970	7,464	11,165	21,599
NET PERIODIC BENEFIT EXPENSE	(881)	25,065	42,414	66,598
Net actuarial gain during period	(15,870)	(17,717)	(87,632)	(121,219)
Amortization of:				
Prior service cost	(540)	-	(2,569)	(3,109)
Actuarial loss	(2,970)	(7,464)	(11,165)	(21,599)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	(19,380)	(25,181)	(101,366)	(145,927)
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT EXPENSE AND NON-OPERATING ACTIVITIES	\$ (20,261)	\$ (116)	\$ (58,952)	\$ (79,329)
2012				
Service cost	\$ 3,298	\$ 9,419	\$ 13,221	\$ 25,938
Interest cost	13,110	6,812	24,388	44,310
Expected return on plan assets	(17,296)	-	(10,480)	(27,776)
Amortization of:				
Prior service cost	534	-	2,569	3,103
Actuarial loss	-	6,485	8,214	14,699
NET PERIODIC BENEFIT EXPENSE	(354)	22,716	37,912	60,274
Net actuarial loss during period	35,467	21,151	67,900	124,518
Amortization of:				
Prior service cost	(534)	-	(2,569)	(3,103)
Actuarial loss	-	(6,485)	(8,214)	(14,699)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	34,933	14,666	57,117	106,716
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT EXPENSE AND NON-OPERATING ACTIVITIES	\$ 34,579	\$ 37,382	\$ 95,029	\$ 166,990

Cumulative amounts recognized in non-operating activities, but not yet recognized in net periodic benefit expense in the *Statements of Activities*, are presented in the following table for the years ended August 31, 2013 and 2012, in thousands of dollars:

	STAFF RETIREMENT ANNUITY PLAN (SRAP)	FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)	POST RETIREMENT BENEFIT PLAN (PRBP)	TOTAL
2013				
Prior service cost	\$ 854	\$ -	\$ 5,939	\$ 6,793
Net actuarial loss	38,886	96,837	128,697	264,420
ACCUMULATED PLAN BENEFIT COSTS				
NOT YET RECOGNIZED				
IN NET PERIODIC BENEFIT EXPENSE	\$ 39,740	\$ 96,837	\$ 134,636	\$ 271,213
2012				
Prior service cost	\$ 1,394	\$ -	\$ 8,564	\$ 9,958
Net actuarial loss	57,726	122,018	227,438	407,182
ACCUMULATED PLAN BENEFIT COSTS				
NOT YET RECOGNIZED				
IN NET PERIODIC BENEFIT EXPENSE	\$ 59,120	\$ 122,018	\$ 236,002	\$ 417,140

The prior service costs and net actuarial loss expected to be amortized from non-operating activities to net periodic benefit expense in fiscal year 2014, in thousands of dollars, are as follows:

	STAFF RETIREMENT ANNUITY PLAN (SRAP)	FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)	POST RETIREMENT BENEFIT PLAN (PRBP)	Total
Prior service cost	\$ 540	\$ -	\$ 2,545	\$ 3,085
Net actuarial loss	\$ 349	\$ 5,679	\$ 5,111	\$ 11,139

ACTUARIAL ASSUMPTIONS

The weighted average assumptions used to determine the benefit obligations for the Plans are shown below:

	STAFF RETIREMENT ANNUITY PLAN (SRAP)		FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)		POST RETIREMENT BENEFIT PLAN (PRBP)	
	2013	2012	2013	2012	2013	2012
Discount rate	4.31%	3.36%	4.30%	3.33%	4.77%	3.78%
Covered payroll growth rate	3.50%	3.54%	4.41%	4.42%	N/A	N/A

The weighted average assumptions used to determine the net periodic benefit cost for the Plans are shown below:

	STAFF RETIREMENT ANNUITY PLAN (SRAP)		FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)		POST RETIREMENT BENEFIT PLAN (PRBP)	
	2013	2012	2013	2012	2013	2012
Discount rate	3.36%	4.67%	3.33%	4.74%	3.78%	5.14%
Expected returns on plan assets	7.00%	7.00%	N/A	N/A	7.00%	8.00%
Covered payroll growth rate	3.54%	4.41%	4.42%	4.43%	N/A	N/A

The expected long-term rate of return on asset assumptions for both the SRAP and PRBP plans is 7%. Expected returns on plan assets, a component of net periodic (income)/benefit cost, represent the long-term return on plan assets based on the calculated market-related value of plan assets. These rates of return are developed using an arithmetic average and are tested for reasonableness against historical returns, and the future expectations for returns in each asset class, as well as the target asset allocation of the portfolios. The use of expected long-term returns on plan assets may result in income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns, and therefore result in a pattern of income and cost recognition that more closely matches the pattern of the services provided by the employees. Differences between actual and expected returns are recognized as a component of non-operating activities and amortized as a component of net periodic (income)/benefit cost over the service life expectancy of the plan participants, depending on the plan, provided such amounts exceed the accounting standards threshold.

To determine the accumulated PRBP obligation at August 31, 2013, a 7.25% annual rate of increase in the per capita costs of covered health care was assumed for the year ending August 31, 2014, declining gradually to 4.75% by 2024 and remaining at this rate thereafter. Health care cost trend rate assumptions have a significant effect on the amounts reported for the health care plans. Increasing the health care cost trend rate by 1% in each future year would increase the accumulated PRBP obligation by \$82.4 million and the aggregate annual service and interest cost by \$9.7 million. Decreasing the health care cost trend rate by 1% in each future year would decrease the accumulated PRBP obligation by \$65.9 million and the aggregate annual service and interest cost by \$7.3 million.

EXPECTED CONTRIBUTIONS

The University expects to contribute \$0, \$8.2 million, and \$1.0 million to its SRAP, FRIP, and PRBP, respectively, during the year ending August 31, 2014.

EXPECTED BENEFIT PAYMENTS

The following benefit payments, which reflect expected future service, are expected to be paid, in thousands of dollars, for the years ending August 31:

YEAR ENDING AUGUST 31	STAFF RETIREMENT ANNUITY PLAN (SRAP)	FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)	POST RETIREMENT BENEFIT PLAN (PRBP)	
			EXCLUDING MEDICARE SUBSIDY	EXPECTED MEDICARE PART D SUBSIDY
2014	\$ 26,981	\$ 8,176	\$ 18,276	\$ 3,037
2015	24,466	11,793	19,618	3,329
2016	24,209	13,671	20,834	3,649
2017	23,782	13,399	22,307	3,981
2018	23,967	14,112	23,837	4,336
2019 - 2023	109,913	79,562	141,243	28,077

INVESTMENT STRATEGY

The University's Retirement Program Investment Committee, acting in a fiduciary capacity, has established formal investment policies for the assets associated with the University's funded plans (SRAP and PRBP). The investment strategy of the plans is to preserve and enhance the value of the plans' assets within acceptable levels of risk. Investments in the plans are diversified among asset classes, striving to achieve an optimal balance between risk and return, and income and capital appreciation. Because the liabilities of each of the plans are long-term, the investment horizon is primarily long-term, with adequate liquidity to meet short-term benefit payment obligations.

CONCENTRATION OF RISK

The University manages a variety of risks, including market, credit, and liquidity risks, across its plan assets. Concentration of risk is defined as an undiversified exposure to one of the above-mentioned risks that increases the exposure of the loss of plan assets unnecessarily. Risk is minimized by predominately investing in broadly diversified index funds for public equities and fixed income. As of August 31, 2013, the University did not have concentrations of risk in any single entity, counterparty, sector, industry or country.

PLAN ASSET ALLOCATIONS

Actual allocations by asset category at August 31, 2013 and 2012 are as follows:

ASSET CATEGORY	STAFF RETIREMENT ANNUITY PLAN (SRAP)		POST RETIREMENT BENEFIT PLAN (PRBP)	
	2013	2012	2013	2012
Cash and cash equivalents	<1%	<1%	0%	0%
Public equities	44%	44%	75%	75%
Fixed income	56%	56%	25%	25%
Private equities	<1%	<1%	0%	0%
TOTAL PORTFOLIO	100%	100%	100%	100%

For fiscal years 2013 and 2012, the weighted-average target allocations by asset category are as follows:

ASSET CATEGORY	STAFF RETIREMENT ANNUITY PLAN (SRAP)		POST RETIREMENT BENEFIT PLAN (PRBP)	
	2013	2012	2013	2012
Public equities	45%	45%	75%	75%
Fixed income	55%	55%	25%	25%
Private equities	<1%	<1%	0%	0%
TARGET PORTFOLIO	100%	100%	100%	100%

FAIR VALUE OF PLAN ASSETS

Current U.S GAAP defines a hierarchy of valuation inputs for the determination of the fair value of plan assets as described in *Note 5*. The plan assets measured at fair value at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	AS OF AUGUST 31, 2013	LEVEL 1	LEVEL 2	LEVEL 3
SRAP:				
Cash and cash equivalents	\$ 1,156	\$ 1,156	\$ -	\$ -
Public equities	119,714	119,714	-	-
Fixed income	155,379	151,511	3,868	-
Private equities	287	-	-	287
TOTAL	\$ 276,536	\$ 272,381	\$ 3,868	\$ 287
PRBP:				
Public equities	\$ 127,182	\$ 127,182	\$ -	\$ -
Fixed income	43,355	43,355	-	-
TOTAL	\$ 170,537	\$ 170,537	\$ -	\$ -
TOTAL FAIR VALUE OF PLAN ASSETS	\$ 447,073	\$ 442,918	\$ 3,868	\$ 287

	AS OF AUGUST 31, 2012	LEVEL 1	LEVEL 2	LEVEL 3
SRAP:				
Cash and cash equivalents	\$ 1,111	\$ 1,111	\$ -	\$ -
Public equities	126,913	126,913	-	-
Fixed income	161,804	157,804	4,000	-
Private equities	429	-	-	429
TOTAL	\$ 290,257	\$ 285,828	\$ 4,000	\$ 429
PRBP:				
Public equities	\$ 112,239	\$ 112,239	\$ -	\$ -
Fixed income	37,559	37,559	-	-
TOTAL	\$ 149,798	\$ 149,798	\$ -	\$ -
TOTAL FAIR VALUE OF PLAN ASSETS	\$ 440,055	\$ 435,626	\$ 4,000	\$ 429

17. Hospitals Retirement Plans

The Hospitals provide retirement benefits through defined benefit and defined contribution retirement plans covering substantially all regular employees.

DEFINED CONTRIBUTION PLAN

Employer contributions to the defined contribution retirement plan are based on a percentage of participant annual compensation. Employer contributions to this plan amounted to approximately \$71.6 million and \$68.1 million for the years ended August 31, 2013 and 2012, respectively.

DEFINED BENEFIT PLANS

Certain employees of the Hospitals are covered by the *Staff Pension Plan* (the "Pension Plan"), a noncontributory, defined benefit pension plan. Benefits of certain prior employees of LPCH are covered by a frozen defined benefit plan. Benefits are based on years of service and the employee's compensation. Contributions to the plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

POST RETIREMENT MEDICAL BENEFIT PLAN

The Hospitals currently provide health insurance coverage for certain retired employees through its *Post Retirement Medical Benefit Plan* (PRMB). The Hospitals' employees and their covered dependents may become eligible for the PRMB upon the employee's retirement as early as age 55, with years of service as defined by specific criteria. Retiree health plans are paid, in part, by retiree contributions, which are adjusted annually. The Hospitals provide a subsidy which varies depending on whether the retiree is covered under the traditional design or the defined dollar benefit design. A Medicare supplement option is provided for retirees over age 65. The obligation for these benefits has been recorded in the *Statements of Financial Position* as "accrued pension and post retirement benefit cost".

The change in Pension Plan and PRMB plans' assets, the related change in benefit obligations and the amounts recognized in the financial statements, in thousands of dollars, are as follows:

	STAFF PENSION PLAN	POST RETIREMENT MEDICAL BENEFIT PLAN (PRMB)	TOTAL
2013			
Change in plan assets:			
Fair value of plan assets, beginning of year	\$ 190,704	\$ -	\$ 190,704
Actual return on plan assets	3,772	-	3,772
Employer contributions	3,986	5,163	9,149
Plan participants' contributions	-	1,859	1,859
Benefits and plan expenses paid	(10,935)	(7,022)	(17,957)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	187,527	-	187,527
Change in projected benefit obligation:			
Benefit obligation, beginning of year	257,781	87,150	344,931
Service cost	2,708	2,075	4,783
Interest cost	9,117	2,911	12,028
Plan participants' contributions	-	1,859	1,859
Actuarial gain	(27,329)	(5,751)	(33,080)
Benefits and plan expenses paid	(10,935)	(7,022)	(17,957)
Plan amendments	-	1,624	1,624
BENEFIT OBLIGATION, END OF YEAR	231,342	82,846	314,188
NET LIABILITY RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION	\$ (43,815)	\$ (82,846)	\$ (126,661)
2012			
Change in plan assets:			
Fair value of plan assets, beginning of year	\$ 159,583	\$ -	\$ 159,583
Actual return on plan assets	29,548	-	29,548
Employer contributions	11,025	3,617	14,642
Plan participants' contributions	-	1,152	1,152
Benefits and plan expenses paid	(9,452)	(4,769)	(14,221)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	190,704	-	190,704
Change in projected benefit obligation:			
Benefit obligation, beginning of year	212,816	88,206	301,022
Service cost	2,589	2,528	5,117
Interest cost	10,436	4,108	14,544
Plan participants' contributions	-	1,152	1,152
Actuarial loss (gain)	41,392	(4,075)	37,317
Benefits and plan expenses paid	(9,452)	(4,769)	(14,221)
BENEFIT OBLIGATION, END OF YEAR	257,781	87,150	344,931
NET LIABILITY RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION	\$ (67,077)	\$ (87,150)	\$ (154,227)

The accumulated benefit obligation for the Pension Plan was \$228.7 million and \$253.4 million at August 31, 2013 and 2012, respectively.

Net periodic benefit expense and non-operating activities related to the plans for the years ended August 31, 2013 and 2012, in thousands of dollars, includes the following components:

	STAFF PENSION PLAN	POST RETIREMENT MEDICAL BENEFIT PLAN (PRMB)	TOTAL
2013			
Service cost	\$ 2,708	\$ 2,075	\$ 4,783
Interest cost	9,117	2,911	12,028
Expected return on plan assets	(13,993)	-	(13,993)
Amortization of:			
Prior service cost	-	312	312
Actuarial loss (gain)	10,677	(71)	10,606
NET PERIODIC BENEFIT EXPENSE	8,509	5,227	13,736
Prior service cost during period	-	1,624	1,624
Net actuarial gain during period	(17,108)	(5,751)	(22,859)
Amortization of:			
Prior service cost	-	(312)	(312)
Actuarial (loss) gain	(10,677)	71	(10,606)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	(27,785)	(4,368)	(32,153)
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT EXPENSE AND NON- OPERATING ACTIVITIES	\$ (19,276)	\$ 859	\$ (18,417)
2012			
Service cost	\$ 2,589	\$ 2,528	\$ 5,117
Interest cost	10,436	4,108	14,544
Expected return on plan assets	(13,708)	-	(13,708)
Amortization of:			
Prior service cost	-	264	264
Actuarial loss	5,613	245	5,858
NET PERIODIC BENEFIT EXPENSE	4,930	7,145	12,075
Net actuarial loss (gain) during period	25,552	(4,075)	21,477
Amortization of:			
Prior service cost	-	(264)	(264)
Actuarial loss	(5,613)	(245)	(5,858)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	19,939	(4,584)	15,355
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT EXPENSE AND NON- OPERATING ACTIVITIES	\$ 24,869	\$ 2,561	\$ 27,430

Cumulative amounts recognized in non-operating activities, but not yet recognized in net periodic benefit expense in the *Statements of Activities*, are presented in the following table for the years ended August 31, 2013 and 2012, in thousands of dollars:

	STAFF PENSION PLAN	POST RETIREMENT MEDICAL BENEFIT PLAN (PRMB)	TOTAL
2013			
Prior service cost	\$ -	\$ 4,216	\$ 4,216
Net actuarial loss (gain)	73,317	(6,644)	66,673
ACCUMULATED PLAN BENEFIT COSTS			
NOT YET RECOGNIZED			
IN NET PERIODIC BENEFIT EXPENSE	\$ 73,317	\$ (2,428)	\$ 70,889
2012			
Prior service cost	\$ -	\$ 2,904	\$ 2,904
Net actuarial loss (gain)	101,102	(964)	100,138
ACCUMULATED PLAN BENEFIT COSTS			
NOT YET RECOGNIZED			
IN NET PERIODIC BENEFIT EXPENSE	\$ 101,102	\$ 1,940	\$ 103,042

The prior service cost and net actuarial loss expected to be amortized from non-operating activities to net periodic benefit expense in fiscal year 2014, in thousands of dollars, are as follows:

	STAFF PENSION PLAN	POST RETIREMENT MEDICAL BENEFIT PLAN (PRMB)	TOTAL
Prior service cost	\$ -	\$ 815	\$ 815
Net actuarial loss (gain)	\$ 2,431	\$ (463)	\$ 1,968

ACTUARIAL ASSUMPTIONS

The weighted average assumptions used to determine the benefit obligations for the Pension Plan and PRMB are shown below:

	STAFF PENSION PLAN		POST RETIREMENT MEDICAL BENEFIT PLAN (PRMB)	
	2013	2012	2013	2012
Discount rate	4.37% - 4.59%	3.42% - 3.62%	4.37%	3.43%
Covered payroll growth rate	3.00%	5.50%	N/A	N/A

The weighted average assumptions used to determine the net periodic benefit cost for the Pension Plan and PRMB are shown below:

	STAFF PENSION PLAN		POST RETIREMENT MEDICAL BENEFIT PLAN (PRMB)	
	2013	2012	2013	2012
Discount rate	3.42% - 3.62%	4.83% - 5.03%	3.43%	4.79%
Expected return on plan assets	6.25% - 8.00%	6.25% - 8.00%	N/A	N/A
Covered payroll growth rate	5.50%	5.50%	N/A	N/A

To develop the expected long-term rate of return on assets assumptions, the Hospitals considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

To determine the accumulated PRMB obligation at August 31, 2013, a 7.5% annual rate of increase in the pre-65 per capita costs, a 7.5% annual rate of increase in the post-65 prescription drug per capita costs, and a 6.5% rate of increase in the post-65 per capita cost of all other medical benefits was assumed for 2013, all declining gradually to 4.75% by 2024 and remaining at this rate thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. Increasing the health care cost trend rate by 1% in each future year would increase the accumulated PRMB obligation by \$2.7 million and the aggregate annual service and interest cost by \$146 thousand. Decreasing the health care cost trend rate by 1% in each future year would decrease the accumulated PRMB obligation by \$2.5 million and the aggregate annual service and interest cost by \$132 thousand.

EXPECTED CONTRIBUTIONS

The Hospitals expect to contribute \$5.6 million to their Pension Plan and \$4.5 million to their PRMB during the fiscal year ending August 31, 2014.

EXPECTED BENEFIT PAYMENTS

The following benefit payments, which reflect expected future service, are expected to be paid for the fiscal years ending August 31, in thousands of dollars:

YEAR ENDING AUGUST 31	STAFF PENSION PLAN	POST RETIREMENT MEDICAL BENEFIT PLAN (PRMB)	
		EXCLUDING MEDICARE SUBSIDY	EXPECTED MEDICARE PART D SUBSIDY
2014	\$ 11,959	\$ 5,499	\$ 290
2015	12,759	5,726	289
2016	13,419	6,020	287
2017	13,985	6,317	282
2018	14,502	6,585	275
2019 - 2023	77,471	35,680	1,230

INVESTMENT STRATEGY

The Hospitals’ investment strategy for the Pension Plan is to maximize the total rate of return (income and appreciation) within the limits of prudent risk taking and Section 404 of the ERISA. The funds are diversified across asset classes to achieve an optimal balance between risk and return and between income and capital appreciation. Many of the pension liabilities are long-term. The investment horizon is also long-term; however, the investment plan also ensures adequate near-term liquidity to meet benefit payments.

CONCENTRATION OF RISK

The Hospitals manage a variety of risks, including market, credit, and liquidity risks, across its plan assets. Concentration of risk is defined as an undiversified exposure to one of the above-mentioned risks that increases the exposure of the loss of plan assets unnecessarily. Risk is minimized by diversifying the Hospitals’ exposure to such risks across a variety of instruments, markets, and counterparties. As of August 31, 2013, the Hospitals did not have concentrations of risk in any single entity, counterparty, sector, industry or country.

PLAN ASSETS

Actual allocations by asset category at August 31, 2013 and 2012 are as follows:

ASSET CATEGORY	STAFF PENSION PLAN	
	2013	2012
Cash equivalents	1%	0%
Public equities	52%	48%
Fixed income	47%	52%
TOTAL PORTFOLIO	100%	100%

The Hospitals' investment policy is to invest in assets that result in a favorable long-term rate of return from a diversified portfolio. For fiscal years 2013 and 2012, the weighted-average target allocations by asset category are as follows:

ASSET CATEGORY	STAFF PENSION PLAN	
	2013	2012
Public equities	50%	50%
Fixed income	50%	50%
TARGET PORTFOLIO	100%	100%

FAIR VALUE OF PLAN ASSETS

Current U.S. GAAP defines a hierarchy of valuation inputs for the determination of the fair value of plan assets as described in Note 5. The Pension Plan assets measured at fair value at August 31, 2013 and 2012, in thousands of dollars, are as follows:

	AS OF			
	AUGUST 31, 2013	LEVEL 1	LEVEL 2	LEVEL 3
Cash and cash equivalents	\$ 1,128	\$ 1,128	\$ -	\$ -
Public equities	97,661	97,661	-	-
Fixed income	88,738	88,738	-	-
TOTAL FAIR VALUE OF PENSION PLAN ASSETS	\$ 187,527	\$ 187,527	\$ -	\$ -

	AS OF			
	AUGUST 31, 2012	LEVEL 1	LEVEL 2	LEVEL 3
Cash and cash equivalents	\$ 902	\$ 902	\$ -	\$ -
Public equities	91,411	91,411	-	-
Fixed income	98,378	98,378	-	-
Other	13	13	-	-
TOTAL FAIR VALUE OF PENSION PLAN ASSETS	\$ 190,704	\$ 190,704	\$ -	\$ -

18. Operating Leases

The University and the Hospitals lease certain equipment and facilities under operating leases expiring at various dates. Total rental expense under these leases for the years ended August 31, 2013 and 2012 was \$37.8 million and \$36.4 million, respectively, for the University and \$76.7 million and \$63.6 million, respectively, for the Hospitals.

Net minimum future operating lease payments and related present value, assuming a 5.2% discount rate for periods subsequent to August 31, 2013, in thousands of dollars, are as follows:

YEAR ENDING AUGUST 31	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	UNIVERSITY	HOSPITALS	UNIVERSITY	HOSPITALS
2014	\$ 26,160	\$ 64,263	\$ 24,867	\$ 61,087
2015	20,691	57,309	18,696	51,783
2016	19,424	52,105	16,684	44,754
2017	19,594	51,536	15,998	42,077
2018	19,254	48,201	14,943	37,409
Thereafter	74,663	153,921	44,931	92,712
TOTAL	\$ 179,786	\$ 427,335	\$ 136,119	\$ 329,822

19. Related Party Transactions

Members of the University's Board and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. For senior management, the University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each trustee is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the University does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant.

20. Commitments and Contingencies

Management is of the opinion that none of the following commitments and contingencies will have a material adverse effect on the University's consolidated financial position.

SPONSORED RESEARCH

The University conducts substantial research for the federal government pursuant to contracts and grants from federal agencies and departments. The University records reimbursements of direct and indirect costs (facilities and administrative costs) from grants and contracts as operating revenues. The Office of Naval Research is the University's cognizant federal agency for determining indirect cost rates charged to federally sponsored agreements. It is supported by the Defense Contract Audit Agency, which has the responsibility for auditing direct and indirect charges under those agreements. Costs recovered by the University in support of sponsored research are subject to audit and adjustment. Fringe benefit costs for the fiscal years ended August 31, 2007 to 2013 are still subject to audit. The University does not anticipate that any adjustments will be material to the consolidated financial statements.

HEALTH CARE

Cost reports filed under the Medicare program for services based upon cost reimbursement are subject to audit. The estimated amounts due to or from the program are reviewed and adjusted annually based upon the status of such audits and subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to "patient care, net" revenue in the year the examination is substantially completed. Medicare cost reports have been audited by the Medicare fiscal intermediary through August 31, 2005 for SHC and August 31, 2011 for LPCH.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as to regulatory actions unknown or unasserted at this time. Government activity with respect to investigations and allegations concerning possible violations by healthcare providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. The Hospitals are subject to similar regulatory reviews, and while such reviews may result in repayments and/or civil remedies that could have a material effect on the Hospitals' financial results of operations in a given period, each Hospital's management believes that such repayments and/or civil remedies would not have a material effect on its financial position.

INFORMATION SECURITY AND PRIVACY

As with many medical centers and universities across the country, information security and privacy is a growing risk area based on developments in the law and expanding mobile technology practices. The University and the Hospitals have policies, procedures, and training in place to safeguard protected information, but select incidents have occurred in the past and may occur in the future involving potential or actual disclosure of such information (including, for example, certain identifiable information relating to patients or research participants). In most cases, there has been no evidence of unauthorized access to, or use/disclosure of, such information, yet laws may require reporting to potentially affected individuals and federal and state governmental agencies. Governmental agencies have the authority to investigate and request further information about an incident or safeguards, to cite the University or Hospitals for a deficiency or regulatory violation, and/or require payment of fines, corrective action, or both. California law also allows a private right to sue for a breach of medical information. The cost of such possible consequences has not been material to date to the University or the Hospitals, and management does not believe that any future consequences of these incidents will be material to the consolidated financial statements.

LABOR AGREEMENTS

Approximately 10% of the University's, 34% of SHC's and 45% of LPCH's employees are covered under union contract arrangements and are, therefore, subject to labor stoppages when contracts expire. There are currently no expired contracts under these union contract arrangements. The University's agreements with the Service Employees International Union (SEIU) and the Stanford Deputy Sheriffs' Association will expire in 2014 and 2015, respectively. The Hospitals' agreements with SEIU and the Committee for Recognition of Nursing Achievement (CRONA) will expire in 2014 and 2016, respectively.

GUARANTEES AND INDEMNIFICATIONS

The University and the Hospitals enter into indemnification agreements with third parties in the normal course of business. The impact of these agreements is not expected to be material. As a result, no liabilities related to guarantees and indemnifications have been recorded at August 31, 2013.

LITIGATION

The University and the Hospitals are defendants in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, resulting from these legal actions will not have a material adverse effect on the consolidated financial position.

MEDICAL CENTER RENEWAL PROJECT

In July 2011, the University and Hospitals obtained local approval for a Renewal Project to rebuild SHC and expand LPCH to assure adequate capacity and provide modern, technologically-advanced hospital facilities. The Renewal Project also includes replacement of outdated laboratory facilities at the Stanford SoM and remodeling of Hoover Pavilion.

California's Hospital Seismic Safety Act requires licensed acute care functions to be conducted only in facilities that meet specified seismic safety standards which have varying deadlines. The Renewal Project as approved is also designed to meet these standards and deadlines.

SHC's and LPCH's share of the estimated total cost of the Renewal Project is \$2 billion and \$1.2 billion, respectively. The source of funding for the Renewal Project includes operating surpluses, gifts, government grants, and bond proceeds. Through August 2013, the Hospitals have recorded \$589 million in construction in progress related to this project. Based on current estimated schedules, management currently projects that the Renewal Project construction will be complete in 2017.

CONTRACTUAL COMMITMENTS

At August 31, 2013, the University had contractual obligations of approximately \$375.7 million in connection with major construction projects. Remaining expenditures on construction in progress are estimated to be \$564.9 million, which will be financed with certain unexpended plant funds, gifts and debt. Commitments on contracts for the construction and remodeling of Hospital facilities were approximately \$1.3 billion at August 31, 2013. As described in *Note 5*, the University is obligated under certain alternative investment agreements to advance additional funding up to specified levels over a period of years.

21. Subsequent Events

The University and the Hospitals have evaluated subsequent events for the period from August 31, 2013 through December 11, 2013, the date the consolidated financial statements were available to be issued, and determined that there were no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

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APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Loan Agreement that are not described elsewhere in this Official Statement. The Bonds are issued and secured pursuant to the Indenture and the Loan Agreement. References to the Indenture, the Loan Agreement, or a fund or account refer to the related document, fund or account with respect to the Bonds, as described in this Official Statement. Unless otherwise specified to the contrary in this Appendix B, all definitions and provisions summarized refer to the Indenture and the Loan Agreement. These summaries do not purport to be comprehensive and reference should be made to the Indenture and the Loan Agreement for a full and complete statement of their provisions.

DEFINITIONS OF CERTAIN TERMS

Unless the context otherwise requires, the terms defined in this summary shall, for all purposes of this summary, have the meanings herein specified, to be equally applicable to both singular and plural forms of any of the terms herein defined. Unless otherwise defined in this summary, all terms used herein or elsewhere in the Official Statement shall have the meanings assigned to such terms in the Indenture or the Act, as applicable.

"Act" means the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

"Act of Bankruptcy" of the Authority or the Borrower means any of the following with respect to such party:

- (1) the commencement by such party of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws;
- (2) the filing of a petition with a court having jurisdiction over such party to commence an involuntary case against such party under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws, which shall not have been stayed or dismissed within 60 days;
- (3) such party shall admit in writing its inability to pay its debts generally as they become due;
- (4) a receiver, trustee or liquidator of such party shall be appointed in any proceeding brought against such party;
- (5) the making of a general assignment by such party for the benefit of its creditors; or
- (6) the entry by such party into an agreement of composition with its creditors.

"Additional Payments" means the payments to be made by the Borrower to the Trustee or the Authority in accordance with the Loan Agreement.

"Administrative Fees and Expenses" means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee.

"Authority" means the California Educational Facilities Authority, a public instrumentality of the State established by the Act.

"Authorized Representative" means with respect to the Borrower its Chief Financial Officer, its Senior Associate Vice President for Finance, its Treasurer, or such other person as may be designated to sign for the Borrower by a Certificate of the Borrower signed by its Chief Financial Officer, its Senior Associate Vice President for Finance, or its Treasurer and filed with the Trustee.

"Base Loan Payments" means the payments required to be made by the Borrower to the Trustee for the account of the Authority in accordance with the Loan Agreement for the payment of the principal (whether at maturity or upon prior redemption) of and interest to the date fixed for redemption or maturity and premium, if any, on the Bonds.

"Bonds" means the California Educational Facilities Authority Revenue Bonds (Stanford University), issued in one or more Series, authorized by, and at any time Outstanding pursuant to, the Indenture.

"Borrower" means The Board of Trustees of the Leland Stanford Junior University, a body having corporate powers under the Constitution and laws of the State, and its successors or assigns or any co-obligor permitted pursuant to the Loan Agreement.

"Business Day" means any day other than a Saturday or a Sunday or a day on which banking institutions located in the city in which the Principal Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed.

"Certificate," "Statement," "Request," "Order" or "Requisition" of the Authority or the Borrower mean, respectively, a written certificate, statement, request, order or requisition signed in the name of the Authority by its Chairman or a deputy thereto or its Executive Director or by any other person who is specifically authorized by a resolution of the Authority to execute such a document on its behalf, or in the name of the Borrower by an Authorized Representative of the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor code or law and any regulations in effect or promulgated thereunder.

"Continuing Disclosure Agreement" means each Continuing Disclosure Agreement, dated the date of issuance and delivery of the Bonds, between the Borrower and the Trustee, as originally executed and as it may be amended in accordance with its terms.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry-system to record ownership of book-entry interests in Bonds, and to effect transfers of book-entry interests in Bonds in book-entry form, and includes, and means initially, The Depository Trust Company, New York, New York.

"Favorable Opinion of Bond Counsel" means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of April 1, 2012, between the Authority and the Trustee.

"First Supplemental Loan Agreement" means the First Supplemental Loan Agreement, dated as of April 1, 2012, between the Authority and the Borrower.

"Fitch" means Fitch, Inc., doing business as Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a nationally recognized statistical rating organization, "Fitch" shall be deemed to refer to any other nationally recognized statistical rating organization designated by the Authority following receipt of a Request of the Borrower.

"Fourth Supplemental Indenture" means the Fourth Supplemental Indenture, dated as of May 1, 2014, between the Authority and the Trustee.

"Fourth Supplemental Loan Agreement" means the Fourth Supplemental Loan Agreement, dated as of May 1, 2014, between the Authority and the Borrower.

"Holder" or *"Bondholder"* whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

"Indenture" means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions thereof and providing for the issuance of an additional Series of Bonds, including but not limited to the First Supplemental Indenture, providing for the issuance of the Bonds.

"Interest Payment Date" means, with respect to the Bonds, May 1 and November 1 in each year, commencing November 1, 2014, and, with respect to any additional Series of Bonds, the date or dates so indicated in the Supplemental Indenture for such Series.

"Investment Securities" means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested (the Trustee is entitled to rely upon any investment direction from the Borrower as a certification that such investment constitutes an Investment Security):

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (a) U.S. Export-Import Bank ("Eximbank"), (b) Farmers Home Administration ("FmHA"), (c) Federal Financing Bank, (d) Federal Housing Administration Debentures ("FHA"), (e) General Services Administration, (f) Government National Mortgage Association ("GNMA" or "Ginnie Mae"), (g) U.S. Maritime Administration, and (h) U.S. Department of Housing and Urban Development ("HUD");

(3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (a) Federal Home Loan Bank System, (b) Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), (c) Federal National Mortgage Association ("FNMA" or "Fannie Mae"), (d) Student Loan Marketing Association ("SLMA" or "Sallie Mae"), (e) Resolution Funding Corp. ("REFCORP") obligations, and (f) Farm Credit System;

(4) money market mutual funds have a rating in the highest investment category granted thereby from S&P or Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(5) certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee on behalf of the Bondholders must have a perfected first security interest in collateral;

(6) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) investment agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements;

(8) commercial paper rated, at the time of purchase, "Prime – 1" by Moody's and "A-1" or better by S&P;

(9) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(10) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(11) repurchase agreements ("repos"), which must meet the following criteria:

(a) repos must be between the Trustee and a dealer bank or securities firm that is: (i) a primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by S&P and Moody's, or (ii) a bank rated "A" or above by S&P and Moody's;

(b) the written repo contract must include the following: (i) securities which are acceptable for transfer are direct U.S. governments, or federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC), (ii) the term of the repo may be up to 30 days, (iii) the collateral must be delivered to the Trustee (if the Trustee is supplying the collateral) or its agent before/simultaneous with payment (perfection by possession of certificated securities), (iv) the securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or

security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are BNMA or FHLMC, then the value of collateral must equal 105%; and

(12) any other investment approved in writing by the Authority.

"Loan Agreement" means that certain loan agreement, between the Authority and the Borrower, as supplemented by the First Supplemental Loan Agreement, and as it may from time to time be further supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

"Loan Default Event" means any of the events of default specified in the provisions of the Loan Agreement summarized below under "LOAN AGREEMENT – Events of Default; Remedies on Default."

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Borrower by notice to the Authority and the Trustee.

"MSRB" means the Municipal Securities Rulemaking Board.

"Notice by Mail" or "notice" of any action or condition "by Mail" means a written notice meeting the requirements of the Indenture mailed by first-class mail to the Holders of specified registered Bonds, at the addresses shown on the registration books maintained pursuant to the Indenture.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority) selected by the Authority and reasonably acceptable to the Borrower. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

"Outstanding" when used as of any particular time (subject to the provisions of the Indenture) with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) on or after any Purchase Date for Variable Rate Bonds pursuant to the Indenture, all Variable Rate Bonds (or portions of Variable Rate Bonds) which have been purchased on such date, but which have not been delivered to the tender agent, provided that funds sufficient for such purchase are on deposit with the tender agent in accordance with the provisions of the Indenture; (3) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture; and (4) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Payment Date" means any date on which principal on the Bonds of any Series is due and payable, whether by reason of maturity or of redemption from mandatory sinking account payments, if any, established in connection with such Series of Bonds.

"Rating Agency" means Moody's, S&P or Fitch.

"Record Date" means, with respect to any Interest Payment Date for the Bonds, the fifteenth day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon the date fixed for redemption thereof pursuant to the provisions of such Bond and the Indenture.

"Revenues" means all payments received by the Authority or the Trustee from the Borrower pursuant or with respect to the Loan Agreement (except Additional Payments paid by the Borrower pursuant to the Loan Agreement, any amounts paid by the Borrower pursuant to the Loan Agreement and amounts received for or on deposit in the Rebate Fund), including, without limiting the generality of the foregoing, Base Loan Payments (including both timely and delinquent payments), Borrower Liquidity Payments (as that term is defined in the Indenture), prepayments and all income derived from the investment of any money in any fund or account held by the Trustee and established pursuant to the Indenture.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Borrower by notice to the Authority and the Trustee.

"Second Supplemental Indenture" means the Second Supplemental Indenture, dated as of May 1, 2013, between the Authority and the Trustee.

"Second Supplemental Loan Agreement" means the Second Supplemental Loan Agreement, dated as of May 1, 2013, between the Authority and the Borrower.

"Series U-5 Bonds" means the California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-5, authorized by, and at any time Outstanding pursuant to the Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture.

"Series U-6 Bonds" means the California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-6, authorized by, and at any time Outstanding pursuant to the Indenture, supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture.

"Tax Agreement" means that certain tax agreement entered into between the Authority and the Borrower at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

"Third Supplemental Indenture" means the Third Supplemental Indenture, dated as of May 1, 2014, between the Authority and the Trustee.

"Third Supplemental Loan Agreement" means the Third Supplemental Loan Agreement, dated as of May 1, 2014, between the Authority and the Borrower.

"Variable Rate Bonds" means Bonds that bear interest at a variable rate or rates.

INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, various rights of the Bondholders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority. Certain provisions of the Indenture are summarized in this Official Statement under the captions "THE BONDS" and "SECURITY FOR THE BONDS." Other provisions are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Terms of the Bonds

The Bonds shall be dated as of their date of delivery and shall bear interest from the Interest Payment Date to which interest has been paid as of the date on which such Bonds are authenticated or, if they are authenticated on or before the Record Date for the first Interest Payment Date, from their date of delivery; provided, however, that if, at the time of authentication of any Bonds of a Series, interest is in default on Outstanding Bonds of such Series, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds of such Series. Interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months and shall be payable in arrears on each Interest Payment Date, upon maturity or upon prior redemption.

The Trustee shall not be required to transfer or exchange (i) any Bond during the 15 days next preceding the date on which notice of redemption of Bonds of such Series is given, or (ii) any Bond called for redemption.

Pledge and Assignment of Revenues

The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged under the Indenture, including proceeds of the sale of the Bonds, held in any fund or account established under the Indenture and held by the Trustee (except for the Rebate Fund and the Purchase Fund); all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive and to enforce its rights with respect to any Administrative Fees and Expenses or Additional Payments to the extent payable to the Authority, (ii) any rights of the Authority or its officers, directors, agents or employees with respect to reimbursement or indemnification or any express rights to give consents or approvals or to receive notices, and (iii) any rights of the Authority to inspection). The Trustee shall be entitled to, and shall, subject to the provisions of the Indenture, collect and receive all of the Revenues and any Revenues collected or received by the Authority shall be deemed to be held and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to, and shall, take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Authority and all of the obligations of the Borrower under the Loan Agreement.

Establishment of Funds and Accounts

The Indenture creates a Stanford University Series U Project Construction Fund, a Stanford University TECP Repayment Fund, a Stanford University Taxable CP Repayment Fund, a Bond Fund (and an Interest Account and a Principal Account therein), a Redemption Fund (and an Optional Redemption Account therein) and a Rebate Fund, all of which are to be held by the Trustee.

Stanford University Series U Project Construction Fund. The moneys, if any, in the Stanford University Series U Project Construction Fund shall be transferred by the Trustee to the Borrower pursuant to the Indenture and applied by the Borrower in accordance with the Loan Agreement to pay Costs of Issuance and costs, if any, of the Series U Project.

Stanford University TECP Repayment Fund. The moneys, if any, in the Stanford University CP Repayment Fund shall be transferred by the Trustee to the Borrower pursuant to the Indenture and applied by the Borrower in accordance with the Loan Agreement to repay tax-exempt commercial paper notes.

Stanford University Taxable CP Repayment Fund. The moneys, if any, in the Stanford University CP Repayment Fund shall be transferred by the Trustee to the Borrower pursuant to the Indenture and applied by the Borrower in accordance with the Loan Agreement to repay taxable commercial paper notes.

Bond Fund. The moneys in the Bond Fund shall be used, withdrawn and disbursed by the Trustee pursuant to the Indenture.

Interest Account. Moneys in the Interest Account shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall deposit the following Revenues in the Interest Account when and as such Revenues are received: (1) the interest component of all Base Loan Payments, including the interest component of all cash prepayments of Base Loan Payments made pursuant to the Loan Agreement; (2) all interest, profits and other income received from the investment of moneys in the Interest Account; and (3) any other Revenues not required to be deposited in any other fund or account established pursuant to the Indenture.

All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as the same becomes due and payable (including accrued interest with respect to any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Principal Account. The Trustee shall deposit the following Revenues in the Principal Account when and as such Revenues are received: (1) the principal component of all Base Loan Payments, but excluding the principal component of all cash prepayments of Base Loan Payments made pursuant to the Loan Agreement, which shall be deposited in the Redemption Fund; and (2) all interest, profits and other income received from the investment of moneys in the Principal Account.

Redemption Fund. The Trustee shall deposit the following Revenues in the Optional Redemption Account when and as such Revenues are received: (1) except as provided in the following paragraph, the principal component of all cash prepayments of Base Loan Payments made pursuant to the Loan Agreement; and (2) all interest, profits and other income received from the investment of moneys in the Optional Redemption Account.

All amounts deposited in the Optional Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account; provided, however that, at any time prior to giving of such notice of redemption, the Trustee shall, upon direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Bonds (or, if the Bonds are not then subject to redemption, the par value of such Bonds); and provided further that, in the case of

the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Bond Fund and credited against Base Loan Payments in order of their due date as set forth in a Request of the Borrower. All Bonds purchased or redeemed from the Redemption Fund shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then as a credit against such future Mandatory Sinking Account Payments as the Borrower may specify.

Rebate Fund. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Agreement), for payment to the federal government of the United States of America. Neither the Authority, the Borrower nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Agreement (which is incorporated in the Loan Agreement by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Borrower including supplying all necessary information as directed by the Borrower, and shall have no liability or responsibility to enforce compliance by the Borrower or the Authority with the terms of the Tax Agreement.

Issuance of Additional Series of Bonds

The Authority may issue additional Series of Bonds under the Indenture at any time at the request of the Borrower. Each such additional Series of Bonds shall be executed by the Authority for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority upon its order, but only upon receipt by the Trustee of the following:

(1) An original executed copy of the Supplemental Indenture authorizing such Series of Bonds, which Supplemental Indenture shall specify (a) the purpose for which such Series of Bonds is being issued, provided, that such Series of Bonds shall be approved solely for financing or refinancing the Series U Project; (b) the authorized principal amount and denominations of such Series of Bonds; (c) whether such Bonds shall bear interest at a fixed rate or shall be Variable Rate Bonds and the interest rate mode, including, but not limited to, an interest rate determined pursuant to an auction procedure; and, if such Bonds are to be Variable Rate Bonds, the terms of the initial and subsequent interest periods for such Series; (d) whether the interest on such Bonds shall be federally taxable or tax-exempt; (e) the Series designation of such Bonds, the date or dates, the Interest Payment Dates, the Principal Payment Dates and the maturity date or dates of such Bonds; (f) the manner of dating and numbering such Bonds; (g) the place or places of payment of the principal or redemption, tender or purchase price, and the manner of payment of interest on, such Bonds; (h) any redemption, tender or purchase provisions for such Bonds; (i) the amount and due date of each mandatory sinking account payment, if any, for such Bonds; (j) the amounts to be deposited in the funds and accounts created and established by the Indenture and the Supplemental Indenture authorizing such Bonds; (k) the form of such Bond and whether it is a replacement Bond or a newly issued, additional Bond; and (l) any other provisions deemed advisable by the Authority or the Borrower that are not in conflict with the provisions of the Indenture;

(2) An original executed copy of the Supplemental Loan Agreement with respect to such Series of Bonds;

(3) An original executed copy of the bond purchase contract, or supplement thereto, with respect to such Series of Bonds;

(4) An official statement, or supplement thereto, with respect to such Series of Bonds;

(5) A Written Request of the Authority to the Trustee (i) requesting that the Trustee authenticate such Bonds, (ii) stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and (iii) stating that the resolution of the Authority authorizing the issuance of such Bonds was duly adopted and is in full force and effect as of the date of issuance of such Bonds;

(6) A Certificate, Request and Consent of the Borrower with respect to such Bonds;

(7) A continuing disclosure agreement, or supplement thereto, for such Bonds, if required by law;

(8) A tax certificate, or supplement thereto, relating to such Bonds;

(9) Agreements with any liquidity provider or any agents for remarketing or conducting auctions with respect to Variable Rate Bonds;

(10) An opinion of counsel to the Authority with respect to such Bonds in substantially the form delivered by counsel to the Authority in connection with the issuance of the Bonds under the Indenture;

(11) An opinion of Bond Counsel with respect to such Bonds in substantially the form delivered by Bond Counsel in connection with the issuance of the Bonds under the Indenture (allowing for such changes to such opinion as are necessary or appropriate to reflect the tax treatment of such Bonds);

(12) An opinion of Borrower's counsel with respect to such Bonds in substantially the form delivered by Borrower's counsel in connection with the issuance of the Bonds under the Indenture;

(13) An opinion of counsel to the purchaser of such Bonds with respect to such Bonds in substantially the form delivered by counsel to the purchaser of the Bonds in connection with the issuance of the Bonds under the Indenture.

Proceeds of each Series of Bonds shall be applied as specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Redemption

The Bonds are subject to redemption prior to maturity, as described in the front part of this Official Statement under the heading "THE BONDS – Redemption."

Events of Default; Remedies on Default

The following events are Events of Default under the Indenture: (a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration of acceleration, by proceedings for redemption, or otherwise; (b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; (c) failure to pay the purchase price of any Variable Rate Bond required to be purchased pursuant to the Indenture when due and payable if a liquidity facility is not in effect; (d) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such default shall have continued for a period of 30 days after written notice thereof, specifying such

default and requiring the same to be remedied, shall have been given to the Authority and the Borrower by the Trustee, or to the Authority, the Borrower and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding or (e) a Loan Default Event. Upon actual knowledge of the existence of any Event of Default, the Trustee shall notify the Borrower, the Authority, and each notice party designated pursuant to the Indenture in writing as soon as practicable; provided, however, that the Trustee need not provide notice of any Loan Default Event if the Borrower has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Trustee, the Borrower, the Authority and each notice party designated pursuant to the Indenture. Whenever any Event of Default shall have occurred and be continuing, the Trustee may take the following remedial steps:

(a) In each and every such case during the continuance of such an Event of Default, unless the principal of all the Bonds has already become due and payable, the Trustee, by notice in writing to the Authority, may, and, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding;

(b) In the case of any Event of Default described in (d) of the first paragraph of this section, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under the Indenture; and

(c) In the case of an Event of Default described in (e) of the first paragraph of this section, the Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Loan Agreement in order to remedy the Loan Default Event.

The Trustee shall give notice of any declaration described in subsection (a) above to each Rating Agency then rating the Bonds; provided that failure to give any such Notice shall not affect the sufficiency of the proceedings for such declaration. Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the Borrower shall deposit with the Trustee a sum sufficient to pay all the principal or redemption price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall, on behalf of the Holders of all of the Bonds, annul such declaration and its consequences and waive such default; but no such annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Act or under the Loan Agreement or the Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted,

or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture.

Limitation on Bondholder's Right to Sue

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect to such Bond; provided, however, the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding may institute such a suit, action or proceeding at law or in equity, for the protection or enforcement of a right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect to the Bonds, if (1) such Holder or said Holders shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) such Holder or said Holders shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Amendment of Indenture and Loan Agreement

The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at anytime by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof (except as permitted with respect to Variable Rate Bonds in the Indenture), without the consent of the Holder of each Bond so affected, or (2) reduce the percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding.

The Indenture may also be modified or amended but without the necessity of obtaining the consent of any Bondholders, for one or more of the following purposes: (1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority, provided, that no such covenant, agreement, pledge, assignment or surrender shall, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority or the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not, as evidenced by a Certificate of the Borrower or the Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; (3) to modify, amend or supplement the Indenture in such manner as to permit

the qualification thereof under the Trust Indenture Act of 1939, as amended; as amended, or any similar federal statute after in effect, if required by such act or statute, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, as evidenced by a Certificate of the Borrower or the Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds (4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; (5) to facilitate (i) the transfer of Bonds from one Depository to another in the succession of Depositories, or (ii) the withdrawal from a Depository of Bonds held in a Book-Entry System and the issuance of replacement Bonds in fully registered form to Persons other than a Depository; (6) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Bond Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (7) to make any amendments appropriate or necessary to provide for any liquidity facility or any insurance policy, letter of credit, guaranty, surety bond, line of credit, revolving credit agreement, standby bond purchase agreement or other agreement or security device delivered to the Trustee and providing for (i) payment of the principal, interest and redemption premium on the Bonds or a portion thereof, (ii) payment of the purchase price of Variable Bonds or (iii) both (i) and (ii), including without limitation modification of the maximum liquidity facility rate with respect to Variable Rate Bonds; (8) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds; (9) to provide for the issuance of an additional Series of Bonds pursuant to the Indenture, including any amendments appropriate or necessary to the provisions of the Indenture to provide for issuance of Variable Rate Bonds or an additional Series of Bonds the interest on which is subject to federal income taxation; provided, that no such amendment shall, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; or (10) to modify, alter, amend or supplement the Indenture in any other respect which is not, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adverse to the Bondholders.

Except as provided in the Indenture, the Authority shall not supplement, amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if but only if (1) it has received a Certificate of the Borrower to the effect that such amendment, modification or termination will not materially and adversely affect the interests of the Holders of the Bonds (which Certificate of the Borrower may be based on certifications, opinions or representations of other parties in accordance with the provisions of the Indenture); provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Borrower shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or in lieu of making such determination, the Trustee may obtain the consent of the Holders holding a majority in aggregate principal amount of the Bonds, or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Base Loan Payments to be made to the Authority or the Trustee by the Borrower pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

The Loan Agreement may also be supplemented, modified or amended from time to time and at any time by the Authority without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Authority or the Borrower contained in the Loan Agreement other

covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority or the Borrower, provided, that, as evidenced by a Certificate of the Borrower, no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Loan Agreement or the Indenture, and, as evidenced by a Certificate of the Borrower, which shall not materially adversely affect the interests of the Holders of the Bonds; (3) in connection with the issuance of an additional Series of Bonds pursuant to the Indenture; or (4) to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Bonds, as evidenced by a Favorable Opinion of Bond Counsel delivered to the Trustee.

Defeasance

The Bonds may be paid by the Authority or the Trustee on behalf of the Authority in any of the following ways: (a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Trustee in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the Indenture) to pay when due or redeem all Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding. If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority and the Borrower shall have paid all Administrative Fees and Expenses payable to the Authority pursuant to the Loan Agreement, then and in that case at the election of the Authority and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied.

LOAN AGREEMENT

The Loan Agreement provides the terms of the loan of proceeds of the Bonds to the Borrower and the repayment of and security for such loan provided by the Borrower. Certain of the provisions of the Loan Agreement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

Payment of the Bonds and Certain Other Expenses

Pursuant to the Loan Agreement, the Borrower agrees that it will pay to the Trustee all sums necessary for the payment of the debt service on the Outstanding Bonds ("Base Loan Payments"). The Borrower shall make such Base Loan Payments (i) on each Interest Payment Date the full amount of the interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds; and (ii) on each Principal Payment Date the aggregate amount of principal becoming due and payable on the Outstanding Bonds of each Series, plus the aggregate amount of mandatory sinking account payments, if any, required to be paid into the sinking accounts in connection with such Series of Bonds, in each case on such Principal Payment Date. The Trustee is required under the Indenture to notify the Authority and the Borrower immediately if it has not received payment by the due date. The Borrower shall also make additional payments for expenses of the Trustee and the Authority, such additional payments to be billed to the Borrower by the Authority or the Trustee from time to time.

Any amounts held in the Interest Account within the Bond Fund for the payment of interest on the Bonds (including any investment income credited to the Interest Account pursuant to the Indenture)

shall be credited against the Base Loan Payments of interest then required to be met by the Borrower to the extent such amounts are in excess of the amount required for the payment of interest accrued to the date fixed for redemption or maturity, where the Bonds have not been presented for payment. Any amounts held in the Principal Account within the Bond Fund for the payment of principal on the Bonds (including any investment income credited to the Principal Account pursuant to the Indenture) shall be credited against the Base Loan Payments of principal then required to be met by the Borrower to the extent such amounts are in excess of the amount required for the payment of any Bonds on the date fixed for redemption or maturity, where the Bonds have not been presented for payment.

The Loan Agreement also provides that if on any Interest Payment Date or Principal Payment Date, the balance in the Interest Account or Principal Account within the Bond Fund is insufficient or unavailable to make required payments of principal of (whether at maturity, by redemption or by acceleration as provided in the Indenture), premium, if any, and interest due on the Bonds on such date, the Borrower shall forthwith pay any such deficiency to the Trustee for deposit in the appropriate account within the Bond Fund. The Borrower acknowledges that the Trustee shall give notice: (1) to the Borrower in accordance with the Indenture at least five (5) Business Days before each Interest Payment Date of the amount, if any, credited or to be credited to the Interest Account by such next Interest Payment Date and the amount of the Base Loan Payment then due from the Borrower; and (2) to the Borrower and the Authority in accordance with the Indenture if the Borrower fails to make any required payment by the due date, such notice to be given by telephone, telecopy or electronic means followed by written notice.

Certain Covenants of the Borrower

The Borrower covenants in the Loan Agreement that, so long as any Bonds remain Outstanding:

(a) it will maintain its existence as a body duly exercising corporate powers and privileges under the Constitution and laws of the State of California and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, except under certain circumstances described in the Loan Agreement.

(b) it will maintain or cause to be maintained insurance of such type, against such risks and in such amounts, with insurance companies or by means of self-insurance, as are customarily carried by organizations of a nature similar to that of the Borrower, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability;

(c) it will furnish to the Authority and the Trustee within 180 days after the end of each of its fiscal years certain financial information as of the end of such year; and,

(d) it will not take any action or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code.

Prepayment

The Borrower shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Base Loan Payments and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of Investment Securities or

surrender of Bonds, as contemplated by the Loan Agreement. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Redemption Fund and, at the request of, and as determined by, the Borrower, credited against the Base Loan Payments in the order of their due date or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture.

Amendment

The Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee, which consent shall be given in accordance with the provisions of the Indenture. See "INDENTURE – Amendment of Indenture and Loan Agreement."

Events of Default; Remedies on Default

Events of default under the Loan Agreement include:

(a) failure by the Borrower to make any of the payments required by the Loan Agreement by their due date:

(b) failure by the Borrower to observe or perform any covenant, condition or agreement contained in the Loan Agreement other than paragraph (a) above, on its part to be observed or performed, for a period of 45 days after written notice thereof has been given to the Borrower by the Authority or the Trustee; provided, however, if the failure stated in the notice is correctable but cannot be corrected within 45 days, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected;

(c) the representations or warranties of the Borrower made in the Loan Agreement or in any other document, certificate or writing furnished by the Borrower to the Authority in connection with the application for or the negotiation of the Loan Agreement or the issuance of the Bonds being false or incorrect in any material respect; and

(d) an Act of Bankruptcy of the Borrower.

The Authority or the Trustee, in the case of any event of default, may take any one or more of the following remedial steps:

(a) declare immediately due and payable all Base Loan Payments due under the Loan Agreement for the remainder of its term; or

(b) take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement or to enforce the performance and observance of any obligation, condition or covenant of the Borrower under the Loan Agreement.

APPENDIX C

BOOK-ENTRY SYSTEM

The information in this Appendix C concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC and the Authority, the University, the Underwriters and the Trustee takes no responsibility for the completeness or accuracy thereof. The Authority, the University, the Underwriters and the Trustee cannot, and do not, give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com; nothing contained in such website is incorporated into this Official Statement.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Payments of principal and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

THE AUTHORITY, THE UNIVERSITY, THE UNDERWRITERS OR THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT

PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

None of the Authority, the University, the Underwriters or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

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

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of May 1, 2014, by and between The Board of Trustees of the Leland Stanford Junior University (the "University") and The Bank of New York Mellon Trust Company, N.A., bond trustee (the "Trustee") under an Indenture dated as of May 1, 2010, as supplemented from time to time, including by a Third Supplemental Indenture dated as of May 1, 2014 and a Fourth Supplemental Indenture dated as of May 1, 2014 (as supplemented, the "Indenture") between the California Educational Facilities Authority (the "Authority") and the Trustee, the Trustee executing this Agreement both in its capacity as Trustee and in its capacity as Dissemination Agent hereunder, is executed and delivered in connection with the issuance of the Authority's California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-5 and Series U-6 (together, the "Bonds"). The proceeds of the Bonds are to be loaned by the Authority to the University pursuant to a Loan Agreement dated as of May 1, 2010, as supplemented from time to time, including by a Third Supplemental Loan Agreement dated as of May 1, 2014 and a Fourth Supplemental Loan Agreement dated as of May 1, 2014 between the Authority and the University (as supplemented, the "Loan Agreement"). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose; No Authority Responsibility or Liability. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule. The University, the Dissemination Agent and the Trustee acknowledge that the Authority has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Agreement, and shall have no liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 1.2. Annual Financial Information. (a) The University shall provide Annual Financial Information to the Dissemination Agent with respect to each fiscal year of the University, commencing with fiscal year ended August 31, 2014 by no later than one hundred and eighty (180) days after the end of the respective fiscal year. The Dissemination Agent shall provide such Annual Financial Information to the Repository and the Authority, in each case within two Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the University or the Dissemination Agent to provide the Annual Financial Information by the date specified in subsection (a) above, in each case to (i) the Repository, (ii) the Authority, and (iii) if such failure is of the University, the University.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof, the University shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall provide any such Audited Financial Statements to the Repository and the Authority, in each case within two Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

Section 1.4. Listed Event Notices. (a) If a Listed Event occurs, the University shall provide, in a timely manner, notice of such Listed Event to the Dissemination Agent. The Dissemination Agent shall provide notice of each such Listed Event received from the University to the Repository within one Business Day after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter, but in no case in excess of 10 Business Days after the occurrence of such Listed Event.

(b) Any such notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity and the timing of such maturity.

(c) The Trustee shall promptly advise the University and the Authority whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence of an event described herein as a "Listed Event"; provided, however, that the failure of the Trustee so to advise the University or the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture and the Trustee shall not be required to make any determination regarding materiality of any such event.

Section 1.5. Additional Disclosure Obligations. The University acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the University and that, under some circumstances, additional disclosures or other action may be required to enable the University to fully discharge all of its duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Listed Event hereunder, in addition to that which is required by this Agreement. If the University chooses to do so, the University shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Listed Event hereunder.

Section 1.7. No Previous Non-Compliance. The University represents that since May 1, 2009, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the University provides Annual Financial Information by specific reference to documents (including Official Statements) available from the Repository.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents and at one time or in part from time to time.

Section 2.3. Listed Event Notices. Each notice of a Listed Event hereunder shall be captioned "Notice of Listed Event" and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Dissemination Agent's sole determination, subject to technical and economic feasibility, the Dissemination Agent shall employ such methods of information and notice transmission as shall be

requested or recommended by the herein-designated recipients of the University's information and notices.

Section 2.5. Fiscal Year. (a) The University's current fiscal year is September 1 to August 31, and the University shall promptly notify the Dissemination Agent in writing of each change in its fiscal year. The Trustee shall provide such notice to the Repository and the Authority, in each case within two Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date, Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The University's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance or payment in full of all of the Bonds.

(c) If the University's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Agreement in the same manner as if it were the University, and thereupon the original University shall have no further responsibility hereunder.

(d) This Agreement, or any provision hereof, shall be null and void in the event that (1) the University delivers to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent delivers copies of such opinion to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion within one Business Day after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Authority or the University (such as bond counsel or Dissemination Agent) and acceptable to the University, addressed to the University, the Authority and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this

Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of the Bonds pursuant to Section 9.01 of the Indenture as in effect on the date of this Agreement, and (5) the Dissemination Agent shall have delivered copies of such opinion(s) and amendment to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion(s) and amendment within one Business Day after receipt by the Dissemination Agent.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the effect that performance by the University and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Dissemination Agent shall have delivered copies of such opinion and amendment to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion and amendment within one Business Day after receipt by the Dissemination Agent or as soon as reasonably practicable thereafter.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the University in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that Beneficial Owners of the Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of the Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the University to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of the outstanding Bonds or by the Trustee on behalf of the holders of the outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of the outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University's obligations under this Agreement.

(c) Any failure by the University, the Dissemination Agent or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the University for each fiscal year of the University ended on and after August 31, 2014 to be provided in any reasonable manner and containing, in substance, such information and data as is set forth in Appendix A to the Authority's Official Statement regarding the Bonds under the headings "PART I – GENERAL INFORMATION ABOUT STANFORD UNIVERSITY – Faculty and Staff," "– Students," and "– Capital Improvement Programs" and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements for each fiscal year ended on and after August 31, 2014, if any, of the University, audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "Dissemination Agent" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the Trustee and the University a written acceptance of such designation.

(5) "GAAP" means generally accepted accounting principles as prescribed from time to time by the Financial Accounting Standards Board or any successor to the duties or responsibilities thereof.

(6) "Listed Events" means any of the following events with respect to the Bonds, whether relating to the University or otherwise:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondowners, if material;
- (viii) Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose);
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Tender offers;
- (xiii) Bankruptcy, insolvency, receivership or similar event with respect to an obligated person;
- (xiv) The consummation of a merger, consolidation, acquisition or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to take such an action or termination of a definitive agreement to undertake any such action, other than pursuant to its terms, if material; and
- (xv) Appointment of a successor or an additional trustee or change in the name of a trustee, if material.

(7) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(8) "Official Statement" means a "final official statement," as defined in paragraph (f)(3) of the Rule.

(9) "Repository" means the MSRB or any other information repository as recognized from time to time by the SEC for the purposes referred to in the Rule.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "State" means the State of California.

(13) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(14) "Underwriters" means Goldman, Sachs & Co., Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Dissemination Agent and Trustee. The Dissemination Agent and the Trustee shall have only such duties under this Agreement as are specifically set forth in this Agreement and the Dissemination Agent shall not be liable except for its negligence or willful misconduct hereunder. The University agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from, and in addition to, that provided to the Trustee under the Indenture. The Dissemination Agent shall be paid compensation by the University for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the University, the holders of the Bonds, or any other party. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have the same rights, protections and immunities hereunder as provided to the Trustee under the Indenture.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.3. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent, upon notice to the University and the Dissemination Agent. The Dissemination Agent may resign at any time by providing 30 days' written notice to the Trustee and the University. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

Section 5.4. Filing. The University and the Dissemination Agent may satisfy the University's disclosure obligations hereunder to file any Annual Financial Information or notices of Listed Events by filing the same with the MSRB through its Electronic Municipal Market Access system, in the format and with identifying or other information as may be required by the Securities and Exchange Commission or the MSRB, or any other Repository that may be recognized or permitted by the Securities and Exchange Commission in such manner as may be specified by the Securities and Exchange Commission or the Repository.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

By: _____
M. Suzanne Calandra
Senior Associate Vice President for Finance

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee and as Dissemination
Agent

By: _____
Authorized Representative

APPENDIX E

FORM OF BOND COUNSEL OPINION

[Closing Date]

California Educational Facilities Authority
915 Capitol Mall, Room 590
Sacramento, California 95814

California Educational Facilities Authority
Revenue Bonds (Stanford University)
Series U-5 and Series U-6
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Educational Facilities Authority (the "Authority") in connection with the issuance of \$124,115,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-5 and \$278,980,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series U-6 (together, the "Bonds"), issued pursuant to the Indenture, dated as of May 1, 2010, as supplemented by the First Supplemental Indenture, dated as of April 1, 2012, the Second Supplemental Indenture, dated as of May 1, 2013, the Third Supplemental Indenture, dated as of May 1, 2014, and the Fourth Supplemental Indenture, dated as of May 1, 2014 (as supplemented, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to The Board of Trustees of the Leland Stanford Junior University (the "Borrower") pursuant to the Loan Agreement, dated as of May 1, 2010, as supplemented by the First Supplemental Loan Agreement, dated as of April 1, 2012, the Second Supplemental Loan Agreement, dated as of May 1, 2013, the Third Supplemental Loan Agreement, dated as of May 1, 2014, and the Fourth Supplemental Loan Agreement, dated as of May 1, 2014 (as supplemented, the "Loan Agreement"), between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Agreement, dated the date hereof (the "Tax Agreement"), between the Authority and the Borrower, opinions of counsel to the Authority, the Borrower and the Trustee, certificates of the Authority, the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of the Office of the General Counsel for Stanford University, counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that such opinion is subject to a number of qualifications and limitations. Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public instrumentalities and agencies of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Authority in the Loan Agreement (to the extent more particularly described in the Indenture).
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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